

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Section 407 Inquiry

Docket No. PI2012-1

COMMENT ON PRINCIPLES FOR EVALUATION OF THE
TERMINAL DUES PROPOSALS BEFORE THE DOHA CONGRESS
OF THE UNIVERSAL POSTAL UNION:
DRAFT DESCRIPTION OF THE POC PROPOSAL
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Appendix A: Revisions in the Terminal Dues Provisions of the Universal Postal Convention Proposed by the Postal Operations Council for Approval of the Doha Congress

Appendix B: Data and Calculations

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On August 6, 2012, the Postal Regulatory Commission published Order No. 1420 in the Federal Register, inviting public comment on the principles that should guide the developments of its views on whether proposals affecting market dominant rates and classifications for international postal products and services exchanged among postal administrations, to be negotiated at the 25th Congress of the Universal Postal Union (UPU), are consistent with the standards and criteria for modern rate regulation established under 39 U.S.C. 3622. 77 Fed. Reg. 46772. Comments must be submitted by August 20, 2012. The 25th Congress of the UPU will convene in Doha, Qatar, on September 24, 2012, and is commonly referred to as the “Doha Congress.”

In brief, the subject of this proceeding is “terminal dues.” Terminal dues are the fees that public postal operators charge each other for delivery of inbound international “letter post” items. Traditionally, the letter post consists of three main types of items: (1) letters and postcards, (2) printed papers (such as advertisements or publications), and (3) small packets. The UPU definition of the letter post also recognizes the distinction between priority (or “first class”) and non-priority introduced by many public postal operators. Small packets are packages weighing up to 2 kg (4.4 pounds). The terminal

dues for small packets are especially significant in this proceeding because small packets include e-commerce packages, and e-commerce is increasingly significant for the future of both the public postal operators and the private global delivery services like FedEx and UPS in the global marketplace.

In my complete comment, I shall begin with an overview of the UPU and terminal dues, a description of the proposal of the UPU's Postal Operations Council (POC) that will form the basis of the terminal dues negotiations in the Doha Congress, and a summary of the economic effects of the POC proposal. Having clarified the subject matter (or, at least, my understanding thereof), I shall suggest the principles that, in my view, should guide the Commission in preparing its opinion for the Department of State under section 407(c)(1). My intention is to submit a complete comment by the August 20th deadline.

In this "draft description of the POC proposal," I am taking the unusual step of submitting a draft version of the descriptive portions of this comment in advance of the full comment. I am doing so because the Commission's notice offers no information on the terminal dues proposal that will be considered at the Doha Congress or the likely effects of a new terminal dues agreement on the system of international postal and delivery services. Even for persons well versed in postal policy, the subject of terminal dues is notoriously obscure and technical, and the details of the POC proposal, which will form the basis of the terminal dues negotiations in the Doha Congress, is not publicly available. Under these circumstances, it is likely that there is no common understanding among potential commenters as to the nature or effects of the terminal

dues proposals that form the factual predicate of this inquiry. By setting out this draft description before the deadline for comments, I hope to offer some assistance to other parties in preparing their comments.

1 The UPU Doha Congress

The Universal Postal Union (UPU) is an intergovernmental organization that governs the exchange of international documents and parcels among designated operators (DOs). “Designated operators” are providers of postal services who have been designated by the governments of UPU member countries to provide the services required by the acts of the UPU. With very few exceptions, DOs are government-owned or government-sponsored enterprises i.e., public postal operators. In addition to governing the exchange of international documents and parcels, the UPU establishes rules for certain additional services provided by DOs, including domestic postal services, international express mail (EMS) services, and postal payment services. There are 192 member countries of the UPU.

The supreme authority of the UPU is the Congress. The Congress is an assembly of delegates from all member countries that meets every four years. The next UPU Congress convenes in Doha, Qatar, on September 24th. Each Congress revises and re-adopts the Universal Postal Convention. The Convention is a short document (37 articles) that establishes the basic legal framework for the exchange of documents and parcels among DOs. The Convention is binding on all UPU member countries.

Since 1994, the Congress has delegated much of its legislative authority to the

Postal Operations Council (POC), which has become the effective seat of power in the UPU. The POC is a standing committee composed of 40 DOs, 16 from industrialized countries and 24 from developing countries. Although the POC is elected by each Congress, the rules of selection ensure a high degree of stability. Twenty-one DOs — including USPS and the major European posts — have been members since the POC was created in 1994; another nine have served on the POC for three of the four terms since 1994. The POC adopts the great majority of legal measures governing the international exchange of documents and parcels in the form of the Letter Post Regulations and the Parcel Post Regulations. The Regulations, as they are termed collectively, are adopted by the POC after Congress adjourns. The Regulations are also binding on UPU member countries.¹

The terminal dues proposal which is the central object of this proceeding is a proposal developed by the Postal Operations Council since the end of the previous UPU Congress, held in Geneva in 2008. The POC proposal is set of rules establishing the terminal dues that DOs will charge each other for the delivery of inbound international letter post items. The POC is asking the UPU member countries represented in the Doha Congress to adopt these rules as international law, i.e., as provisions in the next Universal Postal Convention, which will take effect on January 1, 2014 and expire on December 31, 2017.

¹While the Convention generally sets out general principles and the Regulations addresses more operational details, the legal relationship between the two sets of rules is unclear. The Regulations are not issued under authority explicitly delegated in the Convention but rather under a general grant of authority provided in another UPU agreement, the General Regulations. It appears clear that the Convention can define or limit the legislative authority of the POC, but it does not appear the POC is limited to Regulations clearly envisioned by the Convention.

2 International postal and delivery services market

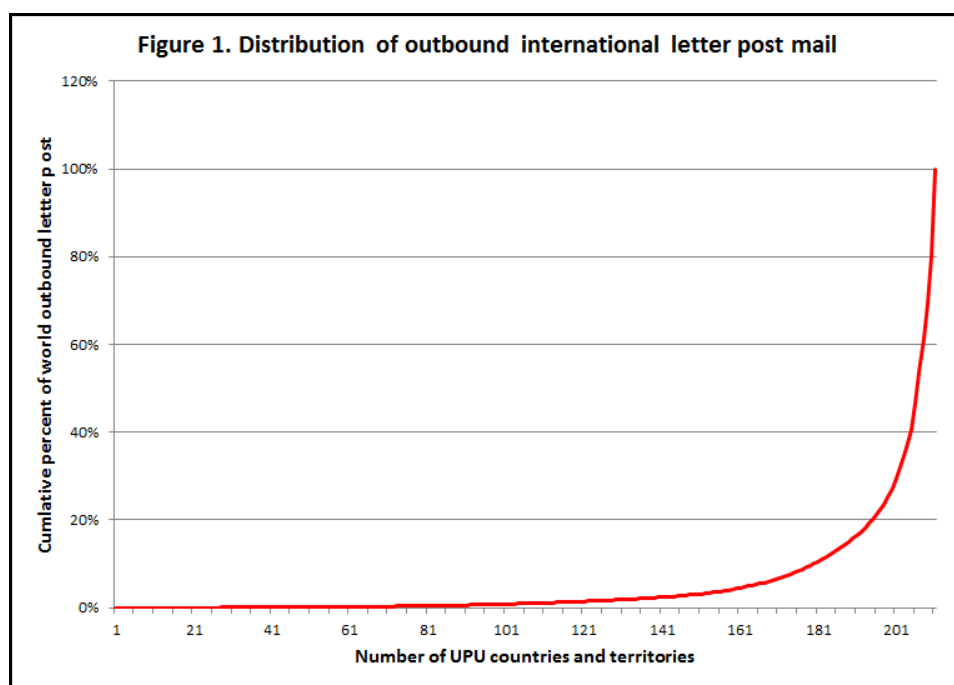
As in the United States, in the international market for postal and delivery services, DOs are predominant in services for lightweight letter post items but are only minor players, albeit significant players, in the broader delivery services market. According to a 2010 UPU study (the Adrenale Report), in 2008, DOs collectively accounted for about 85 percent of the volume and revenues in the cross-border market for non-express documents, a market encompassing about 6.2 billion items and generating \$ 10.3 billion.²

If lightweight parcels and express services (for packages weighing 2 kg or less) are included, the market share of DOs is about 80 percent by volume and 37 percent by revenue. The global market for conveyance of both lightweight international documents and parcels encompassed about 6.7 billion items and generated about \$ 34.5 billion in revenues. In terms of revenue, the global market is dominated by five operators who collectively shared almost three-quarters of the global market: Deutsche Post/DHL (21%), FedEx (19%), UPS (16%), TNT (9%), and U.S. Postal Service (7%). Since the Adrenale Report, TNT has transferred most of its DO activities to a new company, Post NL, and the rest of TNT has been acquired by UPS.

Among DOs, the international letter post world is highly concentrated notwithstanding the long membership list of the UPU. Twelve DOs account for 75 percent of all outbound international letter post mail, and 30 DOs account for 90

²Adrenale Corporation, *Market Research on International Letters and Lightweight Parcels and Express Mail Service Items* (2010) at 12 (hereafter “Adrenale Report”). Note that according to this report, these figures represent about 85 to 90 percent of the world market. The world market figures presented in the text have been adjusted accordingly.

percent. At the other end of the spectrum, 165 DOs contribute only about 5 percent of all outbound letter post mail. See Figure 1. Although the major DOs cooperate with each other as reciprocal agents, they also compete fiercely. With modern electronics, multinational companies will shift mail production facilities for regional customers to a country that offers good access to the international postal system at a good price. Indeed, with the ending of the postal monopoly in most industrialized countries, DOs are establishing offices in each other's territories to serve global customers.



3 Background of the POC terminal dues proposal

The POC terminal dues proposal to be considered in the Doha Congress is the fourth iteration of a terminal dues and anti-remail strategy first adopted by the 1999 Beijing Congress. The roots of this approach to terminal dues go back to 1989 and the

emergence of remail competition. A brief review of this background will help to illuminate issues underlying the terminal dues proposals to be considered by the Doha Congress.

Prior to 1989, postal administrations (“administrations” because they were all government departments in those days) paid each other a fixed sum per kilogram for the delivery of inbound international mail. Since the costs of delivery varied enormously among countries of the world, this charge per kilogram bore no relation to the cost of the delivery. It was a political compromise between the industrialized countries, who were the payors because they were net exporters, and the developing countries, who were the payees because they were net importers. The compromise terminal dues rate was necessarily well below the domestic postage rates in industrialized countries.

In 1980s, with the rise of private international express services, some post offices began to take advantage of the non-cost-based nature of terminal dues by offering “remail” services. For example, a post office in country B would accept documents collected in country A and transported to it by express and then forward the documents as international mail to country C for delivery at the terminal dues rate. This was termed “ABC” remail where A is the origin country, B is the remail post office, and C is the destination country. For this service, the mailer in country A would pay a charge covering the expenses of the express company plus a handling fee for post office B plus the terminal dues payable to the post office in country C. All in all, the result was typically a better service at a lower price than provided by the international service offered by the national postal administration in country A.

Reacting to the threat of remail competition, postal administrations in the industrialized countries decided to establish higher, but still uniform, terminal dues for mail exchanged themselves. The first version of this strategy was adopted informally by group of about 15 leading postal administrations in 1987. This approach was condemned as anticompetitive by the EU Competition Directorate and later by the U.S. Department of Justice. They objected that agreeing on an high uniform terminal dues rate amounted to a classic price-fixing agreement that limited desirable competition and distorted international markets. Instead, the competition authorities urged that terminal dues should be aligned with the domestic postage chargeable for comparable services and that postal administrations should make such rates available to all comers — foreign posts, private express services, and big international mailers — on a non-discriminatory basis.

The principle of aligning terminal dues with domestic postage rates was gradually adopted in Europe. The first system was pioneered by the Nordic postal administrations in 1988. Under the Nordic system, terminal dues were set at 60 percent of retail domestic postage rates. Under pressure from a major legal challenge and European competition authorities, most EU postal administrations eventually joined a similar approach, called the REIMS agreement, in 1997. The REIMS agreement, now in its fifth version, governs the exchange of letter post items between many, but not all, European DOs. The European Postal Directive, adopted in 1997, extends the principle of cost-based terminal dues to intra-EU cross-border postal services.

The UPU, however, has never adopted a terminal dues system aligned to

domestic postage rates. The UPU's failure to adopt a competitively neutral terminal dues system is due at least in part to the failure of American authorities to require the Postal Service to follow the policy direction of the Departments of Justice and Commerce. Instead, in the Washington Congress of 1989 and the Seoul Congress of 1994, the UPU sought to discourage remail by developing a two-tiered terminal dues system that would apply a high uniform rate to large volume bilateral flows, and hence to the major exchanges of the industrialized countries. At the same time, these Congresses continued the lower, simpler uniform rate for other bilateral exchanges, thus including the exchanges of the developing countries.

In 1999, the Beijing Congress adopted what has become the pattern for subsequent terminal dues provisions. The Congress formally resolved that, in principle, all countries should eventually adopt a terminal dues system that will "approach more closely the costs of the services rendered." The Convention was amended to provide, *"The provisions of the present Convention concerning the payment of terminal dues are transitional arrangements, moving towards a country-specific payment system."* UPU members were divided into industrialized countries and developing countries. As a formality, the terminal dues rate for letter post items exchanged among industrialized countries was established by a formula that yielded a per item and per kg rate related to the 20 gram domestic tariff in each country. In reality, in almost all cases tight upper and lower limits established the terminal dues rates at levels unrelated to domestic postage. For developing countries, the traditional uniform rate per kg rate maintained.

The terminal dues approach of the Bucharest Congress was renewed without

fundamental change in 2004 and 2008. The 2004 Bucharest Congress restated that “that the 1999 Beijing Convention contains transitional terminal dues arrangements and that the final objective is to move to a country-specific payment system that is cost-based” and renamed the terminal dues regime for industrialized countries the “target system” to emphasise the long term objective of economically based terminal dues. The terminal dues system for developing countries regime was renamed the “transitional system.” The 2008 Geneva Congress instructed the Council of Administration (a standing UPU committee of 41 government representatives) “to ensure that, allowing for exceptions, the application of country-specific, cost-based remuneration principles will be universal by 31 December 2017.” At the same time, these Congresses reenacted provisions for the “target system” that, in almost all cases, set terminal dues by means of strict upper and lower limits that prevented the operation of a formula linking terminal dues to domestic postage. They also renewed restrictive rules against remail competition and adopted new rules against competition from "extraterritorial offices of exchange" (ETOE), an extension of remail competition. An ETOE is office of DO established outside of its national territory and thus in competition with the local DO for international mail. In effect, an ETOE is the local office of a remail post office. Restrictions on remail and ETOEs, justified by the need to shield non-cost-based terminal dues from unfair “arbitrage” by competitors, served to reinforce the capacity of the major DOs to monopolize the outbound letter post services for items originating in its national territory.

4 POC terminal dues proposal for the Doha Congress

The POC proposal for terminal dues in 2014 through 2017 period is set out in Proposals 20.17.1, 20.18.1, and 20.19.1, amending the text of Articles 27 (general principles), 28 (target system), and 29 (transitional system) of the Convention, respectively. These articles, as they would be amended by the POC, are reproduced in Appendix A.

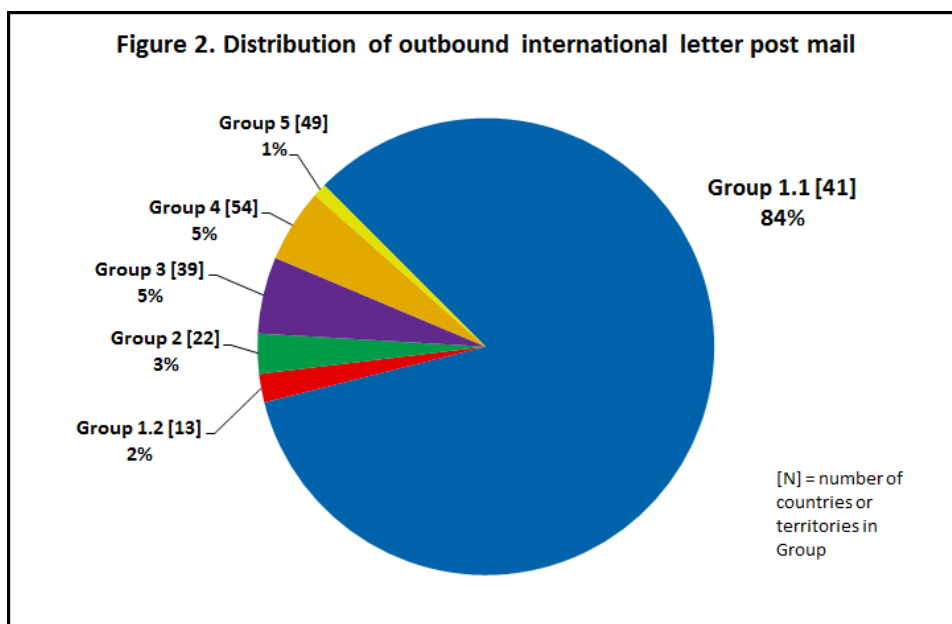
The POC proposal continues to refer to countries as belonging to the “target system” or the “transitional system.” Likewise, the POC proposal continues the division of DOs into six groups as shown in Table 1.

Table 1. TD Groups

TD Group	Number of member countries and territories	Percent of outbound international mail	Percent of outbound international mail	Joined Target System
1.1	41	84%	71%	Always
1.2	13	2%	3%	2010
2	22	3%	4%	2012
3	39	5%	14%	
4	54	5%	8%	
5	49	1%	1%	

Terminal dues groups were introduced by the 2008 Geneva Congress (confusingly, the first two groups are called “1.1” and “1.2”). The groups are determined by each country’s score according to a “postal development index” that reflects the volume of letters per capita, postal income as a percentage of the economy, number of post offices, and other indicators of the extent of public postal service. The groups serve two purposes: (i) to define sets of countries and territories that can, in principle, be moved together from the “transitional” system into the “target” system and (ii) to define

contributions that DOs make to a UPU fund (the Quality of Service Fund) intended to aid DOs in the least developed countries. Figure 2 summarizes the relative importance of the terminal dues groups in the international letter post graphically.



Under the 2008 Convention, the target system includes Groups 1.1, 1.2, and 2. Group 1.1 includes the major industrialized countries, as well territories and protectorates of those states (e.g., French Polynesia, Gibraltar, Monaco) and minor city states (San Marino, Vatican). Leaving aside the latter, Group 1.1 includes 24 significant industrialized countries ranging from Iceland and Luxembourg to the United States. Group 1.2 includes 13 small but well off developing countries such as Aruba, Bahamas, Bermuda, Cayman Islands, Hongkong, Kuwait, Qatar, and Singapore. Similarly, Group 2 includes mostly small and relatively advanced developing countries in the European Union (Croatia, Cyprus, Czech Rep., Estonia, Hungary, Malta, Antilles, Poland,

Slovakia), Caribbean (Barbados, Montserrat, St. Kitts, Trinidad and Tobago), the Middle East (Bahrain, Saudi Arabia) and Asia (South Korea, Macao). Brazil, China, and Russia are in Group 3. India is in Group 4.

According to the POC proposal for the Doha Congress, Group 3 will join the target system in 2016. Until the final meetings of the POC, the plan was to move Group 3 to the target system in 2014, Group 4 in 2016, and Group 5 in 2018. In February 2012, the developing countries revolted resulting in the omission of Groups 4 and 5 and postponement of the transfer of Group 3 until 2016. Disagreement over the inclusion of Group 3 in the target system persisted in the Council of Administration, however, and almost blocked endorsement of the entire POC terminal dues proposal. Given this opposition, led by Brazil and China, transfer of Group 3 to the target system appears to be in doubt.

Under the POC proposal, the target system establishes the terminal dues that will be charged on letter post items exchanged between DOs in the target system. It does not apply to terminal dues for mail exchanged with DOs outside the target system. In the target system, the terminal dues charge for each country is expressed in the form of X per kg and Y per item. X and Y are nominally aligned with 70 percent of the priority (i.e., first class) domestic postage rates in each destination country using a standard formula that depends on the domestic postage for a 20 gram letter rate (P) and a 175 gram flat (large envelope or G). In actuality, in almost no country is the terminal dues reflective of domestic postage. For almost all countries in Groups 1.1, 1.2, and 2, the terminal dues are established by a “cap” or upper limit (or in a few cases, a floor or

lower limit). The cap is a fixed amount per kg and per item which increases by 3 percent each year. The cap and floor provisions for Group 1.1 are higher than the cap and floor provisions for Groups 1.2 and 2. For Group 3 — if moved to the target system in 2016 — the per kg and per item terminal dues charge will be prescribed; there is no reference to the domestic postage rate. In addition, for all target system countries, terminal dues are further limited by a rule that they cannot increase more than 13 percent annually.

Under the POC proposal, the transitional system would prescribe a uniform rate for delivery of all letter post items sent to, from, or between countries in the transitional system. The rate is expressed as a per kg rate, SDR 4.162 per kg in 2014, which rises by 3 percent per year. For bilateral flows of more than 30 tonnes per year (only about 7 percent of all bilateral exchanges in the transitional system), the DOs may switch to a uniform per kg and per item rate. These per kg and per item rates are the same as applied to Group 3 in the target system, so the distinction between the target system and the transitional system is being blurred. Nonetheless, unlike DOs in the target system, DOs in the transitional system are not required to separate letter post by shape.

In sum, the POC proposal for the Doha Congress would continue an approach composed of two terminal dues systems. The target system will apply only to international letter post mail exchanged between the most industrialized countries and relatively advanced developing countries, altogether about half of all UPU member countries. The target system will not be a single terminal dues regime, however. It will have three tiers of terminal dues. Virtually none of the terminal dues actually charged under the target system will be “country-specific, cost based.” For mail sent to, from, or

between countries in the transitional system, the terminal dues will be a uniform charge per kg, except for a few cases where the bilateral flow exceeds 30 tonnes per year for which uniform per kg and per item charges may apply. In outline, the POC proposal is thus almost identical to the two-tier terminal dues system adopted in 1999 for “industrialized countries” and “developing countries.”

Finally, it is worth noting that the whole concept of linking terminal dues to the level of “postal development” is increasingly disconnected with reality. Countries that are modernizing after the age of paper-based communications will never develop the extensive universal postal services built by countries that modernized in the nineteenth and twentieth centuries. In the twenty-first century the number of letters per capita or post offices per square kilometer will bear no relation to the role of a country in international commerce and hence to the reasonableness of granting or not granting subsidized rates for the delivery of international mail that will, over time, will include ever more lightweight commercial packages.

5 The POC proposal for intra-Group 1.1 letter post

The economic core of the POC proposal is the agreement on terminal dues exchanged among the 24 DOs of significant size in Group 1.1.³ Intra-Group 1.1 traffic

³For completeness, it should be noted that, in the interest of simplicity or because of the unavailability of data, the analysis in this section excludes the following 17 UPU member countries and territories in Group 1.1: Falkland Islands - Malvinas, French Polynesia, Gibraltar, Guernsey, Isle of Man, Jersey, Liechtenstein, Martinique, Monaco, New Caledonia, Norfolk Island, Pitcairn Island, Reunion, San Marino, Tristan da Cunha, Vatican, and Wallis and Futuna Islands. According to UPU estimates, these 17 countries and territories account for only about 1 percent of the outbound and inbound letter post mail of Group 1.1.

accounts for roughly two-thirds all international letter post worldwide.

Over the last half century, Group 1.1 DOs have evolved from traditional postal administrations into sophisticated commercial enterprises in order to meet the demands of highly industrialized economies. Each DO has developed a series of services and prices to accommodate different types of shipments, different degrees of priority, and different levels of mailer preparation. Each public postal operator constantly analyzes its operations and make adjustments, usually annually, to align prices with shifts in demand, volumes, and costs. If, in any one of these countries, a public official were to suggest that government should now override this finely tuned menu of services and prices and establish a single rate for all domestic services two to five year years in advance, quoted in a foreign currency (incurring the risk of currency fluctuations), postal managers could be pardoned for concluding that this public official had taken leave of his senses. Yet this is precisely what the POC is proposes for the small portion of domestic postal services the each sophisticated DO in a major industrialized country provides for DOs in other industrialized countries.

There are two essential features of the POC proposal for Group 1.1 DOs. First, terminal dues are set at levels that give DOs access to each other's postal services are rates much more favorable than available to non-DOs. Second, the uniform nature of intra-Group 1.1 terminal dues distort relations between DOs, favoring some at the expense of others.

5.1 Preferential access for DOs to each other's services

The POC proposal is, in essence, that each Group 1.1 DO should charge SDR

0.294 per item and SDR 2.294 per kg for the domestic delivery of letter post items received from other DOs in 2014. These rates are generally available only to DOs and only when a DO is sending letter post items from an office located in the national territory of the country for which it is designated (i.e., an ETOE). In U.S. dollars, the POC proposed terminal dues rate is \$ 0.45 per item and \$ 3.54 per kg at the exchange rates in effect in April 2012, but, of course, there is no way to know what the exchange rates will be in 2014.⁴ In a few cases, POC is proposing that DOs charge less than the “cap” because of low domestic postage rates although there is also a minimum or floor rate of SDR 0.203 per item and SDR 1.591 per kg (\$ 0.31 per item/\$ 2.45 per kg). The POC anticipates that only Israel and New Zealand will charge less than the cap rate in 2014, but this depends on the assumption that domestic rates will rise by only 3.8 percent from 2011 to 2014. In short, “Everyone is at the cap” except that in 2014 four DOs (Australia Post, Canada Post, Spanish Post, USPS) will also be limited by the rule that terminal dues cannot increase by more than 13 percent over the previous year. The cap rate rises by 3 percent per year so that in 2017, the terminal dues rate at the cap will be SDR 0.321 per item and SDR 2.507 per kg (\$ 0.49 per item/\$ 3.87 per kg).

As all impartial observers recognize, the straightforward way to eliminate unfairness or economic distortion in payments for delivery of international letter post items is for each DO to charge other DOs the domestic postage that would be due for delivery of similar letter post items. Domestic postage is the “gold standard” for two reasons. First, while it is impossible to obtain definitive cost data for the inbound

⁴Since January 1, 2010, the value of the dollar to the SDR have varied between \$ 1.452 and \$ 1.623.

delivery services of DOs, one may reasonably rely on domestic postage rates as a proxy for costs, at least in the case of Group 1.1 DOs. In most Group 1.1 countries, national law requires domestic postage rates to be based on costs and empowers an independent regulator to enforce this standard. Even without such controls, however, domestic postage rates must reflect costs because modern postal services are rarely subsidized from the public treasury, so DOs must ensure that prices cover costs in order to survive in a world with multiple alternatives to postal communications.⁵ Second, domestic postage is the proper standard because in the modern world it is unjustifiable to discriminate against foreign mailers in the pricing of market dominant postal services ensured by government. Put simply, it is no more acceptable for the French post office (for example) to charge the British post office a rate for delivery of inbound international letters that differs from comparable domestic postage than it would be for a Parisian postal clerk to charge English tourists a different rate for postage stamps than the rate paid by French citizens.

Hence, to evaluate the POC proposal for Group 1.1 countries, one must ask how the terminal dues rates compare to domestic postage for comparable mail? Since each Group 1.1 DO is a bulk mail customer for every other DO, the domestic postage rate refers to the comparable domestic bulk mail rate. Of course, for large domestic mailers, a DO provides several different bulk rates depending on the degree of pre-sorting, address cleanliness, shape of the mail, level of saturation, priority of service required,

⁵An exceptional case occurs if a country subsidizes a domestic project group for public policy reasons. In such case, it may be argued that inbound international mail should be charged the comparable domestic postage plus a fair share of the public subsidy. In general, however, industrialized countries have adopted the view that domestic postage rates should cover the costs of the services provided.

etc. There is no obvious reason why the Group 1.1 DOs should not give each other a range of bulk mail rates and services just as they do domestic customers. It is, of course, impossible to know what rates DOs would pay each other given the same options as domestic mailers.

For purposes of analyzing the POC proposal, a more simplified approach is required. The starting point must be the existing public postage rates for first class (or priority) domestic mail. In the POC analyses, domestic postage tariffs are categorized by shape (or format) and weight step. The shapes are: ordinary letters (abbreviated as “P” for the French *petite lettre*), large envelopes or flats (G for *grade lettre*), and bulky envelopes (E for *autres envois*). For simplicity, “bulky envelopes” can be equated with small packets. The bulk domestic postage rates for 2014 to 2017 may then be estimated with three additional pieces of information.

- 1) What percent of the first class domestic rates represents a reasonable approximation of bulk domestic rates?
- 2) How much will domestic postage rates increase from now until 2014 through 2017?
- 3) How much the distribution of letter post shift among the shapes (letters, flats, and small packets) and among the weight steps within each shape?

For purposes of the following analysis, I have used the following estimates to calculate domestic postage for a “base scenario.” First, like the UPU, I assume that 70 percent of the first class mail rates represents a fair bulk mail discount in each of the

Group 1.1 countries.⁶ Second, I assume that the volume of letters and flats in the international letter post will decline by 15 percent from 2010 (the last year for which volume data is generally available) to 2014 and 5 percent per year thereafter.⁷ I assume that small packet volume will increase 12 percent from 2010 to 2014 and 4 per year thereafter.⁸ Finally, I assume that, given the declines in letter volumes, domestic postage rates in the Group 1.1 DOs will increase by 10 percent from 2011 (the last year for which postage data is generally available) to 2014 and by 4 percent per year thereafter. These estimates are not intended to be either optimistic or pessimistic, only to serve a reasonable starting point for further analysis.

Table 2. Base scenario for estimating domestic postage rates in Group 1.1

	2014	2015	2016	2017
Percent volume increase by LP shape				
Letters (P)	-15.0%	-5.0%	-5.0%	-5.0%
Large envelopes (G)	-15.0%	-5.0%	-5.0%	-5.0%
Small packets (E)	10.0%	4.0%	4.0%	4.0%
Percent increase in domestic rates	10.0%	4.0%	4.0%	4.0%
Percent of priority domestic postage	70.0%	70.0%	70.0%	70.0%

Using these assumptions, Chart 2a-1 shows the terminal dues charge in each Group 1.1 country for a typical inbound letter post item in 2014 calculated three ways.

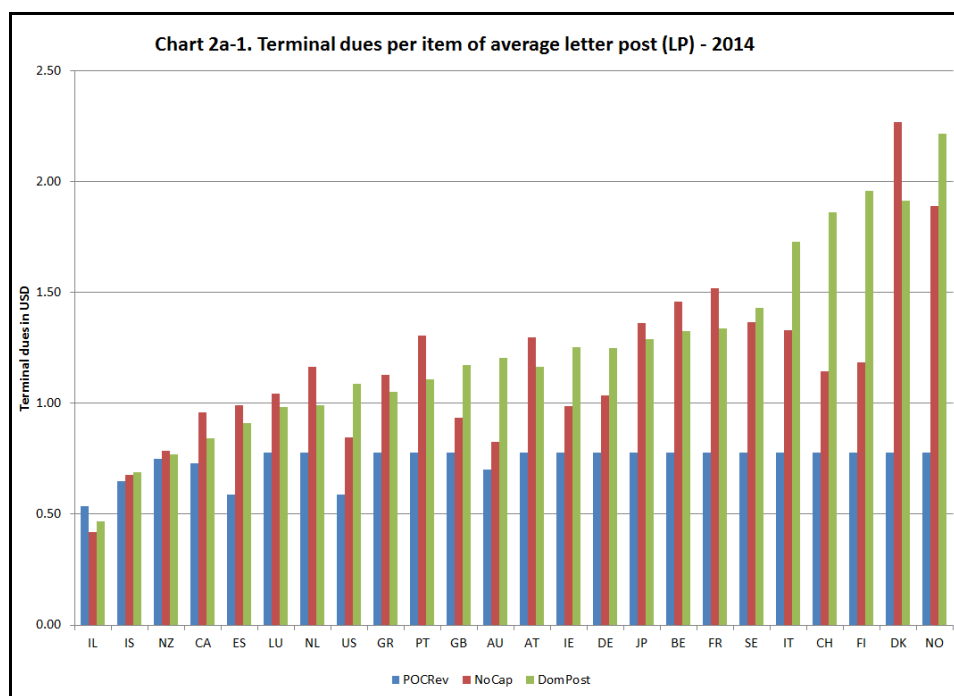
⁶A figure of 70 percent of domestic postage may be thought of as follows. Assume that a reasonable discount for bulk priority (first class) mail is 20 percent of the retail rates and that bulk non-priority (standard) mail is priced 20 percent below priority mail. Assume further that inbound international letter post mail is about 50 percent priority mail and 50 percent non-priority mail. The average domestic bulk mail rate for inbound international mail is then 70 percent of the retail rate. In fact, over the last two decades estimates of the most appropriate discount from retail priority rates have varied from 60 to 80 percent.

⁷It appears from USPS data that its outbound mail volume decreased by an average of 9 percent per year from 2007 to 2011.

⁸In calculating the domestic postage for letters, flats, and small packets, I have used the same distribution among the weight steps and the average weights per weight step as used by the POC, the results of a 2011 study.

- “POCRev” is the charge proposed by the POC.⁹
- “NoCap” is the terminal dues rate calculated according the POC formula for relating terminal dues to domestic postage but without the floor, cap, and annual limits imposed by the POC.
- “DomPost” represents 70 percent of the domestic first class postage rates for the mix of mail assumed.

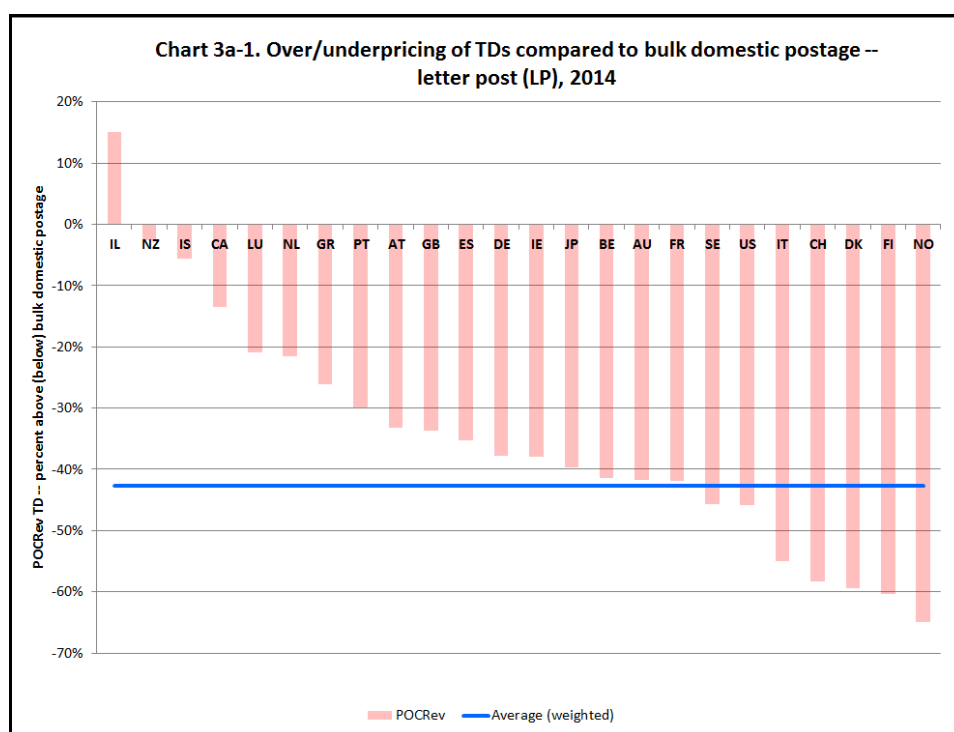
From this chart, it is apparent that for most Group 1.1 DOs, the cap limit results in terminal dues that are substantially below bulk domestic postage and that the discrepancy varies significantly among the Group 1.1 DOs.¹⁰



⁹The “Rev” indicates that, for purposes of imposing the floor and cap limits, I have assumed that domestic postage rates will rise by more than the 1.9 percent per year assumed by the POC.

¹⁰The figures for this and following charts are provided in Appendix B. All calculations are carried out in SDRs, but for convenience I converted the monetary figures into U.S. dollars at the rate of SDR 1.00 = US\$ 1.5430.

Chart 3a-1 shows this underpricing more clearly. On average, the POC proposal would result in the underpricing of terminal dues in 2014 by about 43 percent below comparable domestic postage (weighing the DOs according to their total inbound international letter post). This underpricing does not improve materially over the life of the POC proposal. In 2017, the average underpricing works out to 44 percent. As Chart 2a-1 implies, eliminating the cap and floor and annual increase restrictions in the POC proposal would significantly, but not totally, reduce the underpricing of terminal dues. In both 2014 and 2017, the average underpricing for the letter post without the pricing limits be about 33 percent.



Under the POC proposal the terminal dues for different formats are not equally related to bulk domestic postage. The POC terminal dues proposal results in charges which are better aligned with domestic postage for letters (P) than for flats (G) and least well aligned for small packets (E). Chart 3c-1 summarizes the underpricing of the POC terminal dues compared to domestic postage for a typical small packet in 2014. The average underpricing is 57 percent; in 2017, it will be 56 percent.

5.2 Distortion in relations between Group 1.1 DOs

Although Group 1.1 DOs as a group receive preferential rates for access to each other's postal services, the POC proposal does not benefit all DOs equally. Indeed, the primary effect of the POC proposal may be allow some DOs to benefit at the expense of other DOs and thus to distort the trade in international postal services.

How do these distortions arise? As explained above, under the POC proposal most Group 1.1 countries will charge a fixed "cap" rate for delivery of inbound international letter post items that is substantially less than domestic postage. Unless two DOs have equal costs and exchange equal amounts of letter post mail, this system creates a winner and loser in each bilateral exchange. A low cost DO (indicated by lower postage rate) gains compared to a high cost DO because the low cost DO is effectively trading something of less economic value for something of more economic value. Similarly, the DO that sends more letter post items than it receives gains over its trading partner because it is receiving more of an underpriced service.

In order to quantify such distortions in the exchange of mail between Group 1.1 DOs, it is necessary to know the volumes of letter post items that each DO exchanges

with every other DO. This information is not publicly available. In general, however, the total outbound and inbound mail volumes for the Group 1.1 DOs is publicly available or can be estimated by one means or another. And studies have shown that international mail volumes are relatively proportional to trade in services generally. By assuming that the total outbound mail from each Group 1.1 DO is allocated to other DOs in the same proportion as the value of trade in all services, one can estimate the outbound volume of mail from one DO to another. For example, if 14 percent of the total value of trade in services exported by the U.S. is received by the U.K., then one may estimate that 14 percent of USPS's outbound letter post volume is sent to the U.K. Such a procedure is by no means perfect. Obvious errors occur where allocating outbound mail in this manner, however. For example, the volume of inbound mail to a given country may be too high (e.g., more than total inbound mail received from the world) or too low. It is necessary to adjust for such anomalies, and to adjust further to ensure that total outbound equals total inbound. In a few cases, absence of trade data cannot be overcome the bilateral mail volume cannot be estimated (e.g., Switzerland to the U.S.).

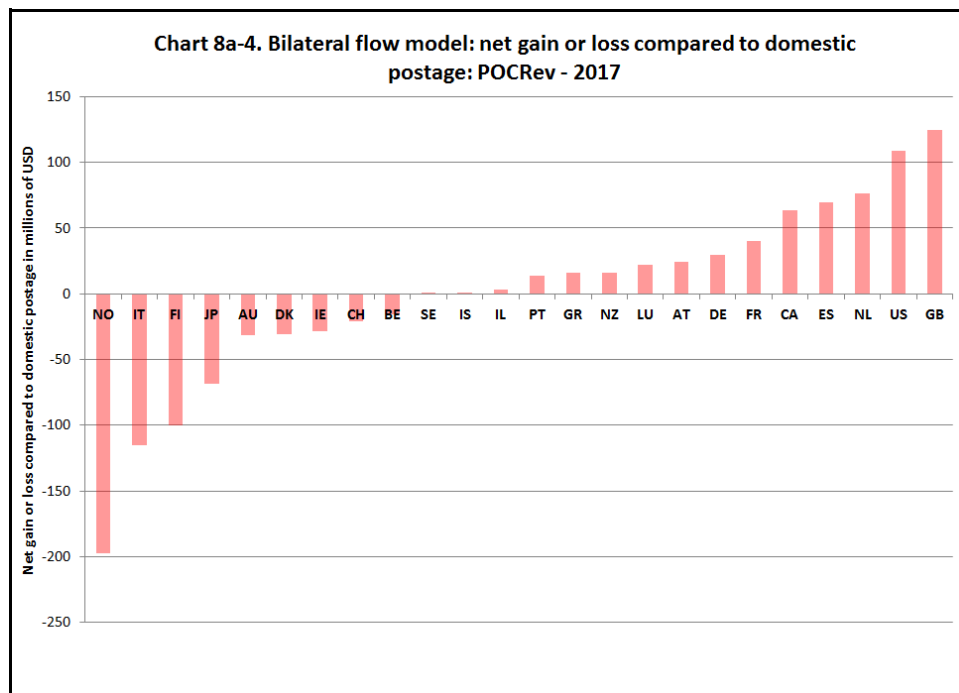
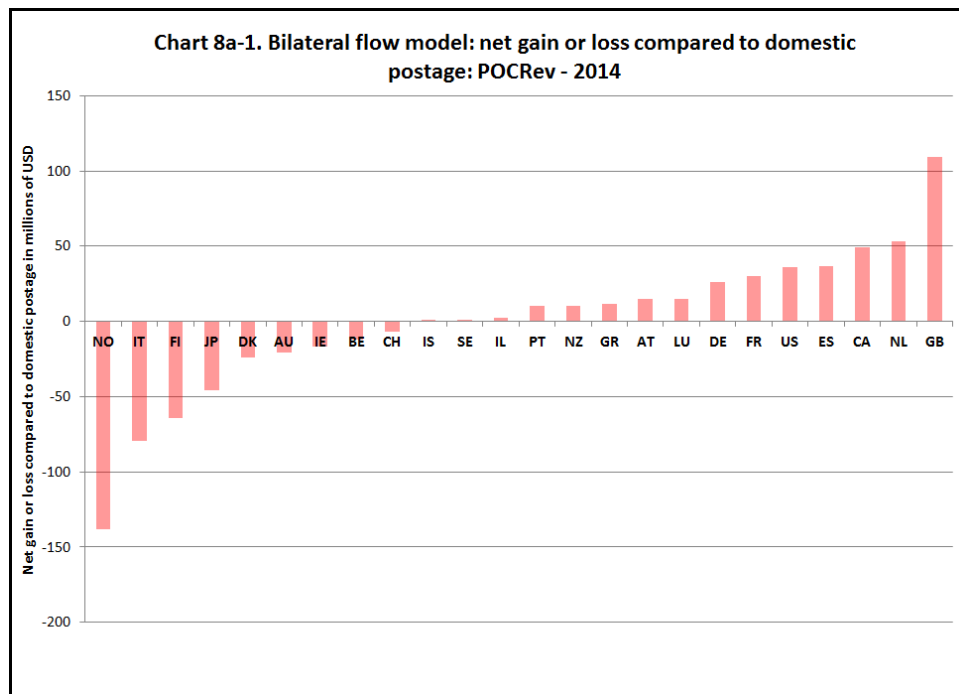
In this manner, it is possible to construct a "Bilateral Flow Model" for letter post between Group 1.1 DOs that is internally consistent and broadly plausible. The resulting bilateral mail volumes are certainly not accurate, but the differences that emerge when two different sets of terminal dues charges are applied to the model should illuminate real differences between the two terminal dues systems. For purposes of the following analysis, I have used the Bilateral Flow Model set out in Table 5 of Appendix B. The volumes of outbound and inbound intra-Group 1.1 letter post mail used in the model in

2014 are shown graphically in Chart 6a-1.

To evaluate the effects of the POC proposal in a specific exchange of mail between two DOs, it is necessary to calculate how much terminal dues each DO will owe the other under the POC proposal and then, in the alternative, estimate what each DO would owe the other if bulk domestic postage rates were charged. The net effect of the POC proposal is the difference between the two calculations. For example, according to the model, in 2014 the Postal Service will send France 17.4 million letter post items, and will receive from France 27.9 million letter post items. The Postal Service will owe the French Post \$ 14.9 for delivery of outbound mail and charge the French Post \$ 18.1 for delivery of the inbound mail. The Postal Service will earn a net profit on the exchange of \$ 3.0 million. If, on the other hand, each DO charged the other bulk domestic postage, the Postal Service would pay more for the delivery of outbound mail but receive more for delivery of inbound French mail, earning a profit of \$ 7.9 million. In this case, the Postal Service would gain \$ 4.6 million by using bulk domestic postage as the basis for terminal dues instead of the POC proposal. If the gain or loss for each bilateral exchange is calculated in this manner, the net effect of the POC proposal terminal dues, as compared to bulk domestic postage, may be seen.

Chart 8a-1 shows the net gains or losses for each Group 1.1 DO in 2014 due to deviations from domestic postage required by the POC proposal. As may be seen, the Nordic DOs and Japan Post lose substantially while Royal Mail (UK), Post NL (Netherlands), Canada Post,¹¹ Spanish Post, and the Postal Service gain. Note that

¹¹The domestic postage data for Canada Post appear to me to understate the costs of Canada Post so results with respect to Canada Post should be treated with extra caution.



these calculations do not take into account the effects of bilateral terminal dues agreements (e.g., a USPS-Canada Post agreement) which may ameliorate the effects of the POC proposal. This chart understates the gains of the Postal Service, however, because in the early years of the POC proposal, Postal Service is one of the few DOs restrained by the 13 percent limit on year to year increases in terminal dues. As Chart 8a-4 shows, by 2017, the Postal Service is one of the big winners along with Royal Mail.

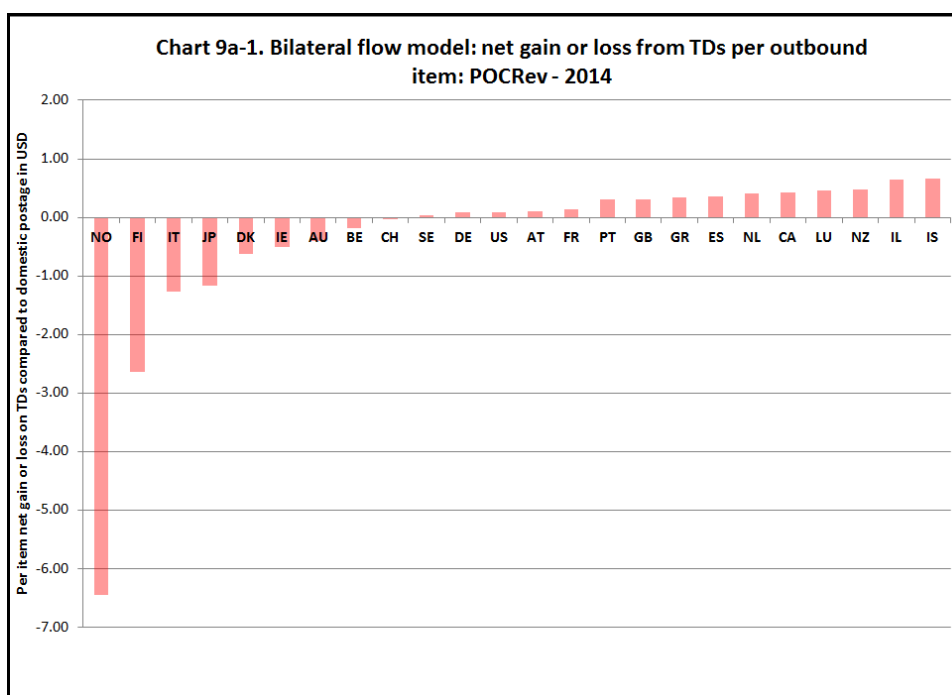


Chart 9a-1 shows the same losses and gains as Chart 8a-1 but on a per item basis, where the gain or loss is divided by the outbound volume of the exporting DO. Typically, a DO will raise outbound international mail prices to compensate for losses incurred in the delivery on inbound international mail. This chart indicates that, under the assumptions of the model, Norway Post will have to add about \$ 6 to the price of a

typical outbound letter post item to recover losses incurred in delivering inbound mail.

On the other hand, U.K. mailers will pay about 31 cents less on a typical outbound international mail item if Royal Mail passes on the benefits of the terminal dues subsidy to outbound mailers.

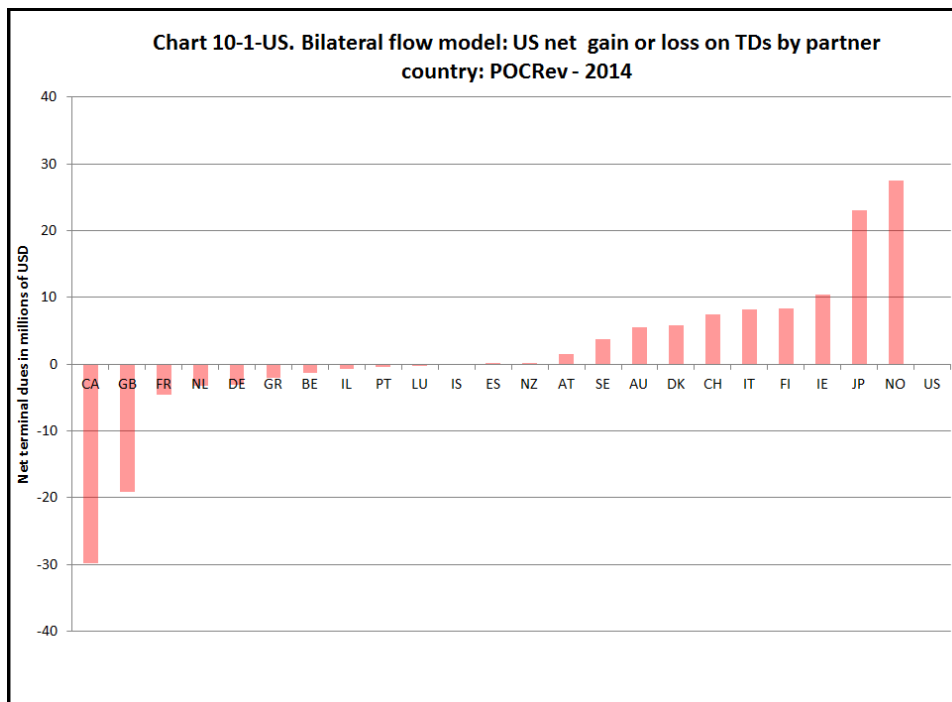
5.3 Postal Service participation in the POC proposal

The Bilateral Flow Model may also be used to examine relations between each Group 1.1 DO and its trading partners. Because of distortions created by the uniform cap provision in the POC proposal, in 2014 the Postal Service will gain — under the assumptions of the model and in the absence of bilateral terminal dues agreements — about \$ 23 million in the exchange of letter post items with other Group 1.1 DOs. This will rise to \$ 70 million in 2017 as the Postal Service takes advantage of the 13 percent annual increase in terminal dues permitted the low cost DOs.

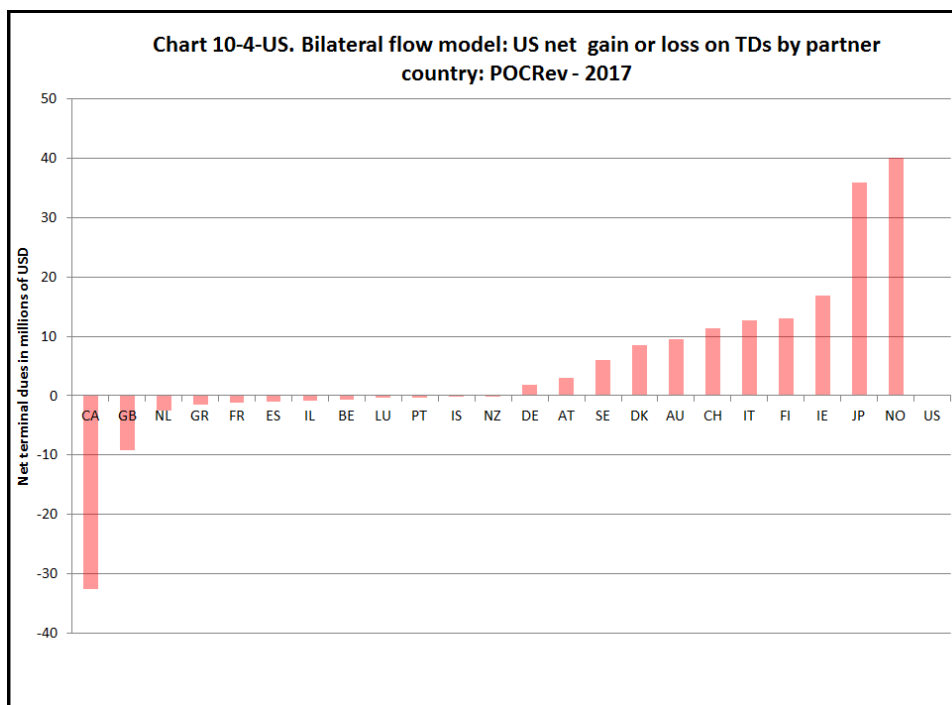
Under the POC proposal, a DO gains if the value of the discount off domestic postage that it receives on outbound letter post outweighs the discount that is required to give on inbound letter post. Under the assumptions of the base scenario (Table 2) and assuming no bilateral terminal dues agreements, the Bilateral Flow Model suggests that in 2014 the Postal Service will get a discount from other DOs of about 39 percent while giving up a discount on inward delivery of about 32 percent. The net effect will be a gain of about \$ 36 million. In 2017, the Postal Service will have reached the cap rate, and the 13 percent annual limit on the increase on inward terminal dues will no longer be applicable. Meanwhile, domestic postage rates will rise, likely by more than the 3 percent built into the “hard cap” of the POC proposal. The Bilateral Flow Model

suggests (with the assumptions noted above) that in 2017 the Postal Service will get a discount from other DOs of about 419 percent while giving up a discount on inward delivery of about 25 percent. The net effect will be a gain of about \$ 108 million.

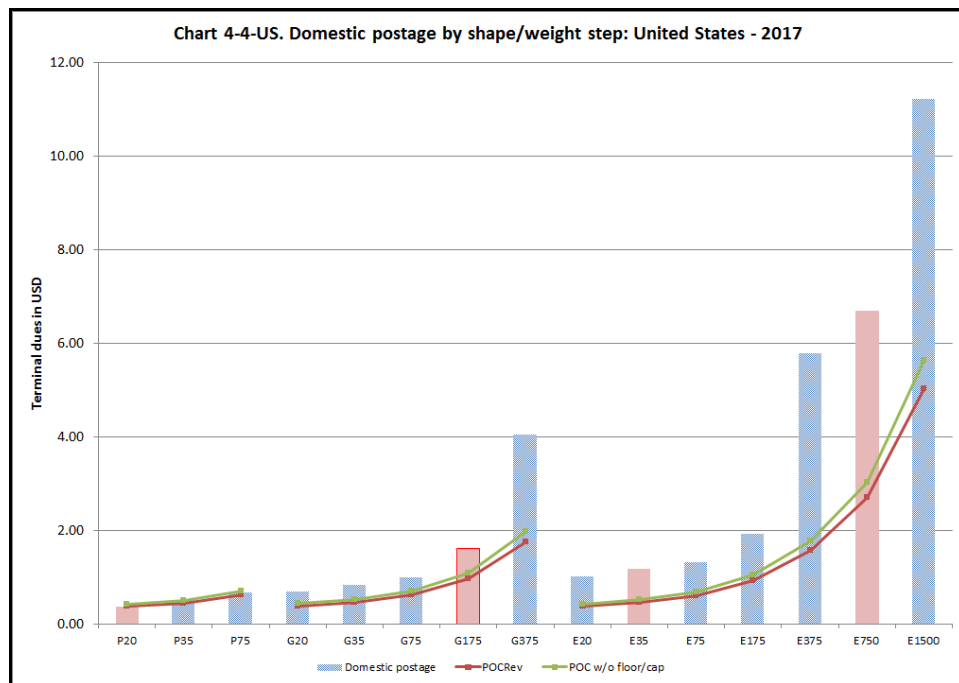
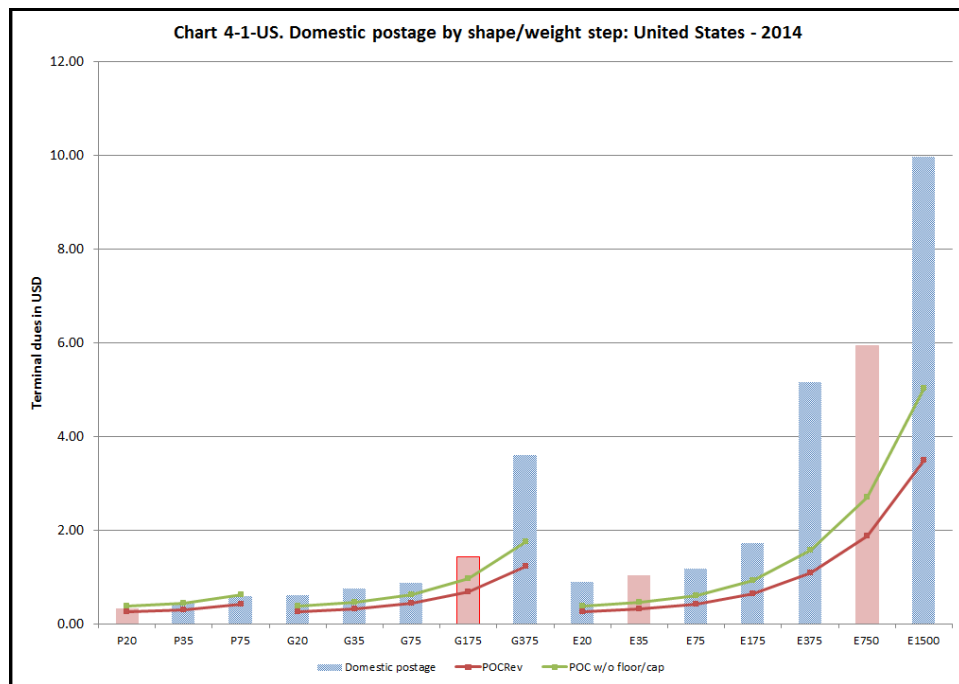
The net gain for one DO is effectively a subsidy extracted from other DOs. In the case of the Postal Service, the cost of this subsidy is borne primarily by the Nordic post offices, Japan Post, An Post (Ireland), Post Italiane, and Swiss Post.¹² See Charts 10-1-US and 10-4-US.



¹²It should be noted that the finer the analysis the greater the chance that the assumptions and estimates used to develop the Bilateral Flow Model will give inaccurate results. Therefore, the specific figures in this section in particular should be regarded with caution.



It appears that the discount below bulk domestic postage which the Postal Service is obliged to provide other DOs as a result of the POC proposal is concentrated in the heavier weight steps. For ordinary letters, a discount of about 25 percent in 2014 will be eliminated by 2017. On the other hand, for small packets, a discount of 70 percent in 2014 will decline only to 61 percent by 2017 See Charts 4-1-US and 4-4-US. This analysis, it should be noted, uses UPU data relating to prices and mail characteristics and not the more specific data available to the Commission. These results should therefore be considered as rough estimates only.



APPENDIX A

REVISIONS IN THE TERMINAL DUES PROVISIONS
OF THE UNIVERSAL POSTAL CONVENTION
PROPOSED BY THE POSTAL OPERATIONS COUNCIL
FOR APPROVAL OF THE DOHA CONGRESS

Terminal Dues Articles of the Universal Postal Convention

With amendments to the 2008 Convention proposed by the Postal Operations Council for adoption by the Doha Congress (Props 20.27.1, 20.28.1, and 20.29.1).

Article 27

Terminal dues. General provisions

1 Subject to exemptions provided in the Regulations, each designated operator which receives letter-post items from another designated operator shall have the right to collect from the dispatching designated operator a payment for the costs incurred for the international mail received.

2 For the application of the provisions concerning the payment of terminal dues by their designated operators, countries and territories shall be classified in accordance with the lists drawn up for this purpose by Congress in its resolution C 48/2008 ~~xx/2012~~, as follows:

2.1 countries and territories in the target system prior to 2010;

2.2 countries and territories in the target system as of 2010 and 2012 ~~(new target system countries)~~;

2.2bis countries and territories in the target system as from 2014 (new target system countries);

2.3 countries and territories in the transitional system.

3 The provisions of the present Convention concerning the payment of terminal dues are transitional arrangements, moving towards a country-specific payment system at the end of the transition period.

4 Access to domestic services. Direct access

4.1 In principle, each designated operator shall make available to the other designated operators all the rates, terms and conditions offered in its domestic service on conditions identical to those proposed to its national customers. It shall be up to the designated operator of destination to decide whether the terms and conditions of direct access have been met by the designated operator of origin.

4.2 Designated operators of countries in the target system shall make available to other designated operators the rates, terms and conditions offered in their domestic service, on conditions identical to those proposed to their national customers.

4.3 Designated operators of new target system countries may opt not to make available to other designated operators the rates, terms and conditions offered in their domestic service on conditions identical to those proposed to their national customers. Those designated operators may, however, opt to make available to a limited number of designated operators the application of domestic conditions, on a reciprocal basis, for a trial period of two years. After that period, they must choose either to cease making available the application of domestic conditions or to continue to make their own domestic conditions available to all designated operators. However, if designated operators of new target system countries ask designated operators of target system countries for the application of domestic conditions, they must make available to all designated operators the rates, terms and conditions offered in their domestic service on conditions identical to those proposed to their national customers.

4.4 Designated operators of countries in the transitional system may opt not to make available to other designated operators the application of domestic conditions. They may, however, opt to make available to a limited number of designated operators the application of domestic conditions, on a reciprocal basis, for a trial period of two years. After that period, they must choose either to cease making available the application of domestic conditions or to continue to make their own domestic conditions available to all designated operators.

5 Terminal dues remuneration shall be based on quality of service performance in the country of destination. The Postal Operations Council shall therefore be authorized to supplement the remuneration in articles 28 and 29 to encourage participation in monitoring systems and to reward designated operators for reaching their quality targets. The Postal Operations Council may also fix penalties in case of insufficient quality, but the remuneration shall not be less than the minimum remuneration according to articles 28 and 29.

6 Any designated operator may waive wholly or in part the payment provided for under 1.

7 M bags weighing less than 5 kilogrammes shall be considered as weighing 5 kilogrammes for terminal dues payment purposes. For M bags, the terminal dues rates to be applied for M bags shall be: 0.793 SDR per kilogramme. M bags weighing less than 5 kilogrammes shall be considered as weighing 5 kilogrammes for terminal dues payment purposes.

7.1 for the year 2014, 0.815 SDR per kilogramme;

7.2 for the year 2015, 0.838 SDR per kilogramme;

7.3 for the year 2016, 0.861 SDR per kilogramme;

7.4 for the year 2017, 0.885 SDR per kilogramme.

8 For registered items there shall be an additional payment of 0.55 SDR per item for 2010 and 2011 and 0.6 SDR for 2012 and 2013 0.617 SDR per item for 2014, 0.634 SDR per item for 2015, 0.652 SDR per item for 2016 and 0.670 SDR for 2017. For insured items, there shall be an additional payment of 1.1 SDR per item for 2010 and 2011 and 1.2 SDR for 2012 and 2013 1.234 SDR per item for 2014, 1.269 SDR per item for 2015, 1.305 SDR per item for 2016 and 1.342 SDR for 2017. The Postal Operations Council shall be authorized to supplement remuneration for these and other supplementary services where the services provided contain additional features to be specified in the Letter Post Regulations.

8bis For terminal dues payment purposes, letter-post items posted in bulk by the same sender and received in the same dispatch or in separate dispatches in accordance with the conditions specified in the Letter Post Regulations shall be referred to as "bulk mail". The payment for bulk mail shall be established as provided for in articles 28 and 29.

9 Any designated operator may, by bilateral or multilateral agreement, apply other payment systems for the settlement of terminal dues accounts.

10 Designated operators may exchange non-priority mail on an optional basis by applying a 10% discount to the priority terminal dues rate.

~~11 Designated operators may exchange format-separated mail on an optional basis at a discounted terminal dues rate.~~

12 The provisions applicable between designated operators of countries in the target system shall apply to any designated operator of a country in the transitional system which declares that it wishes to join the target system. The Postal Operations Council may set transitional measures in the Letter Post Regulations. The full provisions of the target system may apply to any new target designated operator that declares that it wishes to apply such full provisions without transitional measures.

Article 28

Terminal dues. Provisions applicable to mail flows between designated operators of countries in the target system

1 Payment for letter-post items, including bulk mail but excluding M bags and IBRS items, shall be established on the basis of the application of the rates per item and per kilogramme reflecting the handling costs in the country of destination. ~~; these costs must be related to the domestic tariffs. The rates shall be calculated in accordance with the conditions specified in the Letter Post Regulations. Charges corresponding to priority items in the domestic service which are part of the universal service provision will be used as a basis for the calculation of terminal dues rates.~~

1bis The terminal dues rates in the target system shall be calculated taking into account, where applicable in the domestic service, the classification of items based on their format, as provided for in article 12bis of the Convention.

1ter Designated operators in the target system shall exchange format-separated mails in accordance with the conditions specified in the Letter Post Regulations.

2 Payment for IBRS items shall be as described in the Letter Post Regulations.

~~3 The rates per item and per kilogramme shall be calculated on the basis of a percentage of the charge for a 20-gramme priority letter in the domestic service, which shall be 70% for countries in the target system prior to 2010 and 100% for countries entering the target system from 2010 or 2012 (new target system countries).~~

~~4 The Postal Operations Council will conduct a study of the cost of handling inbound mail during 2009 and 2010. If this study reveals a percentage different from the 70% set out under paragraph 3, the POC shall consider whether to change the percentage of the charge for a 20-gramme priority letter for the years 2012 and 2013.~~

~~5 From the charge used for the calculation in paragraph 3 above, 50% of the VAT or other taxes shall be excluded for the years 2010 and 2011, and 100% for the years 2012 and 2013.~~

5bis The rates per item and per kilogramme shall be calculated on the basis of 70% of the charges for a 20-gramme small (P) letter-post item and for a 175-gramme large (G) letter-post item, exclusive of VAT or other taxes.

5ter The Postal Operations Council shall define the conditions for the calculation of the rates as well as the necessary operational, statistical and accounting procedures for the exchange of format-separated mails.

5quater The rates applied for flows between countries in the target system in a given year shall not lead to an increase of more than 13% in the terminal dues revenue for a letter-post item of 81.8 grammes, compared to the previous year.

6 The rates applied for flows between countries in the target system prior to 2010 may not be higher than:

6.1 for the year ~~2010~~ 2014, ~~0.253~~ 0.294 SDR per item and ~~4.980~~ 2.294 SDR per kilogramme;

6.2 for the year ~~2011~~ 2015, ~~0.263~~ 0.303 SDR per item and ~~2.059~~ 2.363 SDR per kilogramme;

6.3 for the year ~~2012~~ 2016, ~~0.274~~ 0.312 SDR per item and ~~2.441~~ 2.434 SDR per kilogramme;

6.4 for the year ~~2013~~ 2017, ~~0.285~~ 0.321 SDR per item and ~~2.227~~ 2.507 SDR per kilogramme.

7 The rates applied for flows between countries in the target system prior to 2010 may not be lower than: ~~the rates in 2009, prior to application of the quality of service link. The rates may also not be lower than:~~

7.1 for the year ~~2010~~ 2014, ~~0.165~~ 0.203 SDR per item and ~~1.669~~ 1.591 SDR per kilogramme;

7.2 for the year ~~2011~~ 2015, ~~0.169~~ 0.209 SDR per item and ~~1.709~~ 1.636 SDR per kilogramme;

7.3 for the year ~~2012~~ 2016, ~~0.173~~ 0.215 SDR per item and ~~1.750~~ 1.682 SDR per kilogramme;

7.4 for the year ~~2013~~ 2017, ~~0.177~~ 0.221 SDR per item and ~~1.792~~ 1.729 SDR per kilogramme.

7bis The rates applied for flows between countries in the target system as from 2010 and 2012 as well as between these countries and countries in the target system prior to 2010 may not be higher than:

7bis.1 for the year 2014, 0.209 SDR per item and 1.641 SDR per kilogramme;

7bis.2 for the year 2015, 0.222 SDR per item and 1.739 SDR per kilogramme;

7bis.3 for the year 2016, 0.235 SDR per item and 1.843 SDR per kilogramme;

7bis.4 for the year 2017, 0.249 SDR per item and 1.954 SDR per kilogramme.

7ter The rates applied for flows between countries in the target system as from 2010 and 2012 as well as between these countries and countries in the target system prior to 2010 may not be lower than the rates provided for in paragraphs 7.1 to 7.4 above.

8 The rates applied for flows to, from or between new target system countries, other than for bulk mail, shall be those provided for in article 28, paragraphs 7.1 to 7.4.:

~~8.1 for the year 2010: 0.155 SDR per item and 1.562 SDR per kilogramme;~~

~~8.2 for the year 2011: 0.159 SDR per item and 1.610 SDR per kilogramme;~~

~~8.3 for the year 2012: 0.164 SDR per item and 1.648 SDR per kilogramme;~~

~~8.4 for the year 2013: 0.168 SDR per item and 1.702 SDR per kilogramme.~~

9 The payment for bulk mail sent to countries in the target system prior to 2010 shall be established by applying the rates per item and per kilogramme provided for in article 28, paragraphs ~~3~~ 5bis to 7.

9bis The payment for bulk mail sent to countries in the target system as from 2010 and 2012 shall be established by applying the rates per item and per kilogramme provided for in article 28, paragraphs 7bis to 7ter.

10 For registered or insured items not carrying a barcoded identifier or carrying a barcoded identifier that is not compliant with UPU Technical Standard S10, there shall be a further additional payment of 0.5 SDR per item unless otherwise bilaterally agreed.

11 No reservations may be made to this article, except within the framework of a bilateral agreement.

Article 29

Terminal dues. Provisions applicable to mail flows to, from and between designated operators of countries in the transitional system

1 In preparation for the entry into the target system of the designated operators of countries in the terminal dues transitional system, payment for letter-post items, including bulk mail but excluding M bags and IBRS items, shall be established on the basis of ~~yearly increases of 2.8% on the adjusted 2009 rates, using the worldwide average of 14.64 items per kilogramme a rate per item and a rate per kilogramme.~~

2 Payment for IBRS items shall be as described in the Letter Post Regulations.

3 The rates applied for flows to, from and between countries in the transitional system shall be:

3.1 for the year ~~2010~~ 2014: ~~0.155~~ 0.203 SDR per item and ~~4.562~~ 1.591 SDR per kilogramme;

3.2 for the year ~~2011~~ 2015: ~~0.159~~ 0.209 SDR per item and ~~4.640~~ 1.636 SDR per kilogramme;

3.3 for the year ~~2012~~ 2016: ~~0.164~~ 0.215 SDR per item and ~~4.648~~ 1.682 SDR per kilogramme;

3.4 for the year ~~2013~~ 2017: ~~0.168~~ 0.221 SDR per item and ~~4.702~~ 1.729 SDR per kilogramme.

4 For flows below ~~400~~ 30 tonnes a year the per kilogramme and per item components shall be converted into a total rate per kilogramme on the basis of a worldwide average of ~~14.64~~ 12.23 items per kilogramme, except for the year 2014, for which the total rate per kilogramme of the year 2013 shall apply. The following rates shall apply:

4.1 for the year ~~2010~~ 2014: ~~3.831~~ 4.162 SDR per kilogramme;

4.2 for the year ~~2011~~ 2015: ~~3.938~~ 4.192 SDR per kilogramme;

4.3 for the year ~~2012~~ 2016: ~~4.049~~ 4.311 SDR per kilogramme;

4.4 for the year ~~2013~~ 2017: ~~4.162~~ 4.432 SDR per kilogramme.

5 For mail flows over ~~400~~ 30 tonnes per year the flat rate per kilogramme listed above shall be applied if neither the origin designated operator nor the destination designated operator requests the revision mechanism in order to revise the rate on the basis of the actual number of items per kilogramme, rather than the worldwide average. The sampling for the revision mechanism shall be applied in accordance with the conditions specified in the Letter Post Regulations.

6 The downward revision of the total rate in paragraph 4 may not be invoked by a country in the target system against a country in the transitional system unless the latter asks for a revision in the opposite direction.

6bis Designated operators of countries in the terminal dues transitional system may send format-separated mail on an optional basis, in accordance with the conditions specified in the Letter Post Regulations. In the case of format separated-exchanges the rates in paragraph 3 above shall apply.

7 The payment for bulk mail to designated operators of countries in the target system shall be established by applying the rates per item and per kilogramme provided for in article 28. For bulk mail received, designated operators in the transitional system may request payment according to paragraph 3.

8 No reservations may be made to this article, except within the framework of a bilateral agreement.

APPENDIX B

DATA AND CALCULATIONS

1 Terminal Dues Per Kilogram

Scenario 2 (Base) - Summary	2011	2014	2015	2016	2017
Percent volume increase by LP shape					
Letters (P)		-15.0%	-5.0%	-5.0%	-5.0%
Large envelopes (G)		-15.0%	-5.0%	-5.0%	-5.0%
Small packets (E)		10.0%	4.0%	4.0%	4.0%
Volume multiplier (base 2010)					
Letters (P)	100%	85.0%	80.8%	76.7%	72.9%
Large envelopes (G)	100%	85.0%	80.8%	76.7%	72.9%
Small packets (E)	100%	110.0%	114.4%	119.0%	123.7%
Total Letter post (LP)	100%	88.1%	84.9%	82.0%	79.2%
Percent of letter post					
Letters (P)	67.90%	65.5%	64.6%	63.5%	62.5%
Large envelopes (G)	19.66%	19.0%	18.7%	18.4%	18.1%
Small packets (E)	12.45%	15.5%	16.8%	18.1%	19.4%
Total Letter post (LP) (check)	100.00%	100.0%	100.0%	100.0%	100.0%
Percent increase in domestic rates		10.0%	4.0%	4.0%	4.0%
Domestic rates multiplier (base 2011)	100%	110.0%	114.4%	119.0%	123.7%
DomPost: percent of priority domestic postage		70.0%	70.0%	70.0%	70.0%

Table 1a. Terminal dues per kilogram of average letter post (LP)

Currency & date

SDR

1.0000 = 1 SDR

Apr 2012

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

			2014			2015			2016			2017				
Offsets- do not change			1	2	4	5	6	9	10	11	14	15	16	19	20	21
No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	
19	Norway	NO	SDR	5.51	13.41	15.73	5.55	13.62	16.15	5.58	13.83	16.58	5.61	14.05	17.03	
5	Denmark	DK	SDR	5.51	16.09	13.57	5.55	16.35	13.77	5.58	16.61	13.98	5.61	16.87	14.19	
6	Finland	FI	SDR	5.51	8.39	13.89	5.55	8.52	14.45	5.58	8.66	15.03	5.61	8.79	15.64	
23	Switzerland	CH	SDR	5.51	8.11	13.20	5.55	8.23	13.70	5.58	8.36	14.23	5.61	8.50	14.78	
14	Italy	IT	SDR	5.51	9.43	12.25	5.55	9.57	12.58	5.58	9.72	12.91	5.61	9.88	13.25	
22	Sweden	SE	SDR	5.51	9.69	10.14	5.55	9.84	10.40	5.58	9.99	10.68	5.61	10.16	10.96	
7	France	FR	SDR	5.51	10.78	9.49	5.55	10.96	9.67	5.58	11.13	9.86	5.61	11.30	10.05	
3	Belgium	BE	SDR	5.51	10.35	9.40	5.55	10.52	9.55	5.58	10.68	9.71	5.61	10.85	9.86	
15	Japan	JP	SDR	5.51	9.67	9.14	5.55	9.83	9.33	5.58	9.98	9.51	5.61	10.14	9.70	
8	Germany	DE	SDR	5.51	7.34	8.86	5.55	7.46	9.06	5.58	7.57	9.26	5.61	7.69	9.48	
12	Ireland	IE	SDR	5.51	7.00	8.89	5.55	7.11	9.17	5.58	7.23	9.46	5.61	7.34	9.76	
2	Austria	AT	SDR	5.51	9.20	8.25	5.55	9.35	8.39	5.58	9.50	8.52	5.61	9.65	8.66	
1	Australia (1)	AU	SDR	4.99	5.86	8.56	5.51	5.94	8.89	5.58	6.04	9.24	5.61	6.13	9.61	
9	Great Britain	GB	SDR	5.51	6.63	8.32	5.55	6.73	8.58	5.58	6.84	8.85	5.61	6.94	9.13	
20	Portugal	PT	SDR	5.51	9.27	7.87	5.55	9.42	7.98	5.58	9.56	8.09	5.61	9.72	8.20	
10	Greece	GR	SDR	5.51	8.00	7.46	5.55	8.12	7.55	5.58	8.25	7.65	5.61	8.39	7.75	
24	United States	US	SDR	4.18	6.01	7.73	4.61	6.10	8.01	5.09	6.19	8.29	5.61	6.29	8.59	
17	Netherlands (1)	NL	SDR	5.51	8.26	7.02	5.55	8.40	7.11	5.58	8.53	7.19	5.61	8.67	7.28	
16	Luxembourg	LU	SDR	5.51	7.40	6.97	5.55	7.51	7.05	5.58	7.62	7.13	5.61	7.74	7.21	
21	Spain	ES	SDR	4.18	7.03	6.46	4.61	7.15	6.60	5.09	7.25	6.75	5.61	7.36	6.91	
4	Canada (1)	CA	SDR	5.18	6.81	5.98	5.55	6.91	6.07	5.58	7.03	6.15	5.61	7.14	6.23	
18	New Zealand	NZ	SDR	5.32	5.58	5.47	5.55	5.66	5.51	5.58	5.75	5.55	5.61	5.84	5.58	
11	Iceland	IS	SDR	4.61	4.80	4.88	4.87	4.87	4.94	4.95	4.95	5.01	5.03	5.03	5.07	
13	Israel	IL	SDR	3.81	2.98	3.32	3.83	3.03	3.37	3.85	3.08	3.42	3.86	3.13	3.47	

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Table 1b. TDs per kilogram of average letters/large envelopes (PG)

Currency for table

SDR

1.0000 = 1 SDR

Apr 2012

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

Terminal dues in

2014	2015	2016	2017
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Offsets- do not change	1	2	4	5	6	9	10	11	14	15	16	19	20	21
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No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost
19	Norway	NO	SDR	9.11	13.41	15.73	5.55	13.62	16.15	5.58	13.83	16.58	5.61	14.05	17.03
5	Denmark	DK	SDR	9.11	16.09	13.57	5.55	16.35	13.77	5.58	16.61	13.98	5.61	16.87	14.19
14	Italy	IT	SDR	9.11	9.43	12.25	5.55	9.57	12.58	5.58	9.72	12.91	5.61	9.88	13.25
23	Switzerland	CH	SDR	9.11	8.11	13.20	5.55	8.23	13.70	5.58	8.36	14.23	5.61	8.50	14.78
6	Finland	FI	SDR	9.11	8.39	13.89	5.55	8.52	14.45	5.58	8.66	15.03	5.61	8.79	15.64
3	Belgium	BE	SDR	9.11	10.35	9.40	5.55	10.52	9.55	5.58	10.68	9.71	5.61	10.85	9.86
7	France	FR	SDR	9.11	10.78	9.49	5.55	10.96	9.67	5.58	11.13	9.86	5.61	11.30	10.05
22	Sweden	SE	SDR	9.11	9.69	10.14	5.55	9.84	10.40	5.58	9.99	10.68	5.61	10.16	10.96
2	Austria	AT	SDR	9.11	9.20	8.25	5.55	9.35	8.39	5.58	9.50	8.52	5.61	9.65	8.66
15	Japan	JP	SDR	9.11	9.67	9.14	5.55	9.83	9.33	5.58	9.98	9.51	5.61	10.14	9.70
8	Germany	DE	SDR	9.11	7.34	8.86	5.55	7.46	9.06	5.58	7.57	9.26	5.61	7.69	9.48
21	Spain	ES	SDR	6.91	7.03	6.46	4.61	7.15	6.60	5.09	7.25	6.75	5.61	7.36	6.91
24	United States	US	SDR	6.91	6.01	7.73	4.61	6.10	8.01	5.09	6.19	8.29	5.61	6.29	8.59
12	Ireland	IE	SDR	9.11	7.00	8.89	5.55	7.11	9.17	5.58	7.23	9.46	5.61	7.34	9.76
17	Netherlands (1)	NL	SDR	9.11	8.26	7.02	5.55	8.40	7.11	5.58	8.53	7.19	5.61	8.67	7.28
1	Australia (1)	AU	SDR	8.25	5.86	8.56	5.51	5.94	8.89	5.58	6.04	9.24	5.61	6.13	9.61
10	Greece	GR	SDR	9.11	8.00	7.46	5.55	8.12	7.55	5.58	8.25	7.65	5.61	8.39	7.75
9	Great Britain	GB	SDR	9.11	6.63	8.32	5.55	6.73	8.58	5.58	6.84	8.85	5.61	6.94	9.13
20	Portugal	PT	SDR	9.11	9.27	7.87	5.55	9.42	7.98	5.58	9.56	8.09	5.61	9.72	8.20
16	Luxembourg	LU	SDR	9.11	7.40	6.97	5.55	7.51	7.05	5.58	7.62	7.13	5.61	7.74	7.21
4	Canada (1)	CA	SDR	8.56	6.81	5.98	5.55	6.91	6.07	5.58	7.03	6.15	5.61	7.14	6.23
18	New Zealand	NZ	SDR	8.72	5.58	5.47	5.55	5.66	5.51	5.58	5.75	5.55	5.61	5.84	5.58
11	Iceland	IS	SDR	7.52	4.80	4.88	4.87	4.87	4.94	4.95	4.95	5.01	5.03	5.03	5.07
13	Israel	IL	SDR	6.30	2.98	3.32	3.83	3.03	3.37	3.85	3.08	3.42	3.86	3.13	3.47

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Table 1c. TDs per kilogram of average small packets (E)

Currency for table

SDR

1.0000 = 1 SDR

Apr 2012

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

Terminal dues in

2014	2015	2016	2017
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Offsets- do not change	1	2	4	5	6	9	10	11	14	15	16	19	20	21
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No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost
6	Finland	FI	Cur	3.12	4.76	14.00	3.22	4.95	14.56	3.32	5.15	15.14	3.41	5.36	15.74
23	Switzerland	CH	Cur	3.12	4.60	12.82	3.22	4.78	13.33	3.32	4.97	13.86	3.41	5.18	14.42
19	Norway	NO	0	3.12	7.61	12.00	3.22	7.91	12.48	3.32	8.23	12.98	3.41	8.56	13.50
14	Italy	IT	0	3.12	5.35	9.24	3.22	5.56	9.60	3.32	5.79	9.99	3.41	6.02	10.39
1	Australia (1)	AU	0	2.83	3.32	8.45	3.19	3.45	8.79	3.32	3.59	9.14	3.41	3.74	9.50
22	Sweden	SE	0	3.12	5.50	7.66	3.22	5.72	7.97	3.32	5.95	8.29	3.41	6.19	8.62
5	Denmark	DK	0	3.12	9.14	7.57	3.22	9.50	7.87	3.32	9.88	8.19	3.41	10.27	8.52
12	Ireland	IE	0	3.12	3.98	7.55	3.22	4.13	7.85	3.32	4.30	8.17	3.41	4.47	8.50
24	United States	US	0	2.37	3.41	7.12	2.68	3.54	7.41	3.03	3.69	7.71	3.41	3.83	8.01
9	Great Britain	GB	0	3.12	3.76	7.02	3.22	3.91	7.30	3.32	4.07	7.59	3.41	4.23	7.89
8	Germany	DE	0	3.12	4.17	6.09	3.22	4.33	6.33	3.32	4.51	6.59	3.41	4.69	6.85
7	France	FR	0	3.12	6.12	6.00	3.22	6.37	6.24	3.32	6.62	6.48	3.41	6.88	6.74
15	Japan	JP	0	3.12	5.49	5.87	3.22	5.71	6.10	3.32	5.94	6.34	3.41	6.18	6.60
3	Belgium	BE	0	3.12	5.88	5.37	3.22	6.11	5.59	3.32	6.35	5.81	3.41	6.61	6.04
2	Austria	AT	0	3.12	5.23	4.77	3.22	5.43	4.96	3.32	5.65	5.16	3.41	5.88	5.37
21	Spain	ES	0	2.37	3.99	4.45	2.68	4.15	4.63	3.03	4.32	4.82	3.41	4.49	5.01
20	Portugal	PT	0	3.12	5.26	4.23	3.22	5.47	4.40	3.32	5.69	4.57	3.41	5.92	4.76
10	Greece	GR	0	3.12	4.54	3.84	3.22	4.72	3.99	3.32	4.91	4.15	3.41	5.11	4.31
17	Netherlands (1)	NL	0	3.12	4.69	3.57	3.22	4.88	3.71	3.32	5.08	3.86	3.41	5.28	4.01
16	Luxembourg	LU	0	3.12	4.20	3.41	3.22	4.36	3.55	3.32	4.54	3.69	3.41	4.72	3.84
4	Canada (1)	CA	0	2.94	3.87	3.18	3.22	4.02	3.30	3.32	4.18	3.43	3.41	4.35	3.57
11	Iceland	IS	0	2.68	2.73	2.53	2.83	2.83	2.63	2.95	2.95	2.73	3.06	3.06	2.84
18	New Zealand	NZ	0	3.08	3.17	2.26	3.22	3.29	2.35	3.32	3.42	2.45	3.41	3.56	2.54
13	Israel	IL	0	2.16	1.69	1.85	2.23	1.76	1.92	2.29	1.83	2.00	2.35	1.90	2.08

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Chart 1a-1. Terminal dues per kilogram of average letter post (LP) - 2014

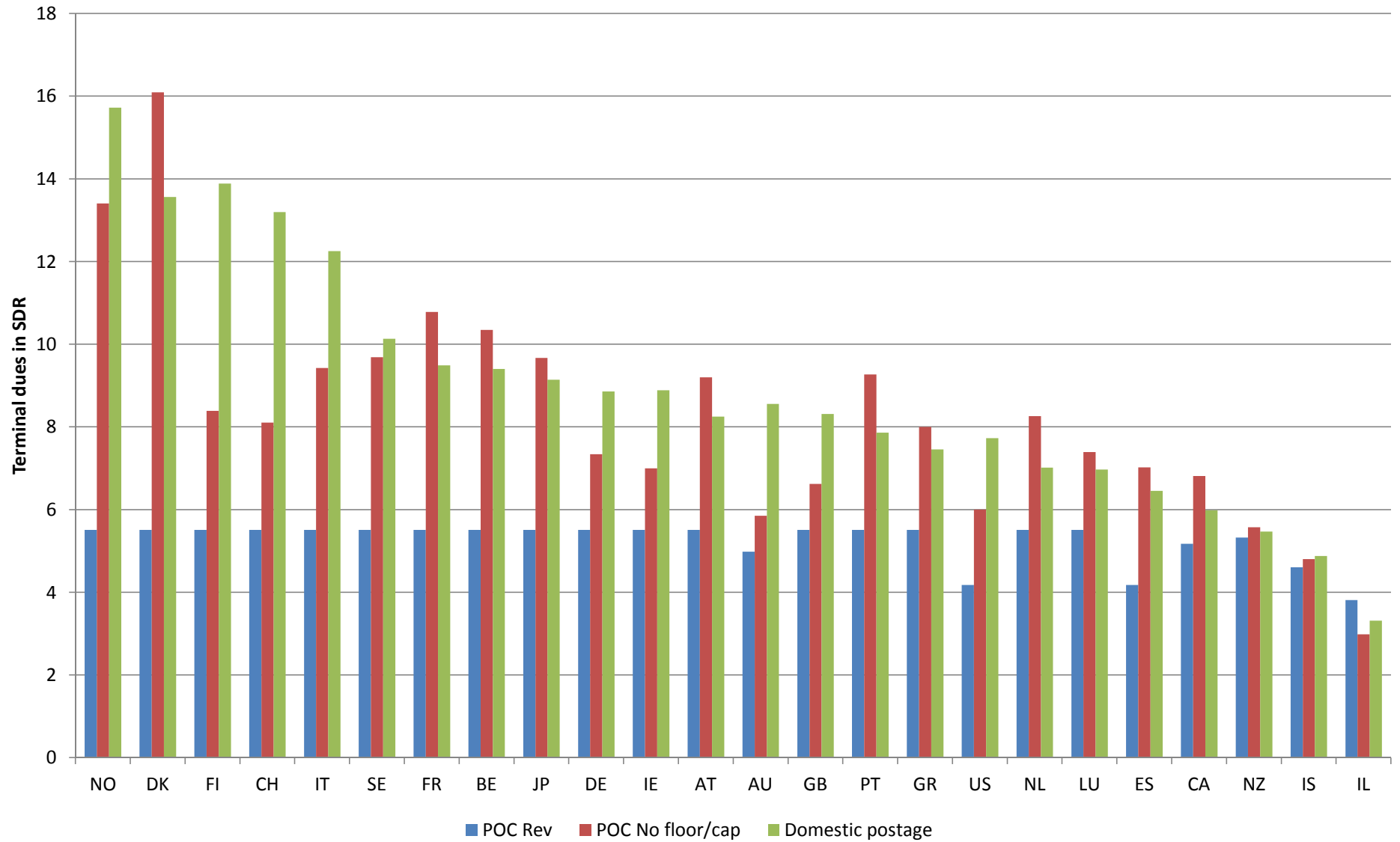


Table 2a. Terminal dues per item of average letter post (LP)

Currency & date

USD

1.5430 = 1 SDR

Apr 2012

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

			2014			2015			2016			2017				
Offsets- do not change			1	2	3	4	5	8	9	10	13	14	15	18	19	20
No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	
13	Israel	IL	Cur	0.54	0.42	0.47	0.56	0.44	0.49	0.59	0.47	0.52	0.62	0.50	0.55	
11	Iceland	IS	Cur	0.65	0.68	0.69	0.72	0.72	0.73	0.76	0.76	0.77	0.80	0.80	0.81	
18	New Zealand	NZ	Cur	0.75	0.79	0.77	0.81	0.83	0.81	0.85	0.88	0.85	0.90	0.93	0.89	
4	Canada (1)	CA	Cur	0.73	0.96	0.84	0.81	1.02	0.89	0.85	1.08	0.94	0.90	1.14	1.00	
21	Spain	ES	Cur	0.59	0.99	0.91	0.68	1.05	0.97	0.78	1.11	1.03	0.90	1.18	1.10	
16	Luxembourg	LU	Cur	0.78	1.04	0.98	0.81	1.10	1.04	0.85	1.17	1.09	0.90	1.24	1.15	
17	Netherlands (1)	NL	Cur	0.78	1.17	0.99	0.81	1.23	1.04	0.85	1.31	1.10	0.90	1.38	1.16	
24	United States	US	Cur	0.59	0.85	1.09	0.68	0.90	1.18	0.78	0.95	1.27	0.90	1.01	1.37	
10	Greece	GR	Cur	0.78	1.13	1.05	0.81	1.19	1.11	0.85	1.26	1.17	0.90	1.34	1.24	
20	Portugal	PT	Cur	0.78	1.31	1.11	0.81	1.38	1.17	0.85	1.46	1.24	0.90	1.55	1.31	
9	Great Britain	GB	Cur	0.78	0.93	1.17	0.81	0.99	1.26	0.85	1.05	1.35	0.90	1.11	1.46	
1	Australia (1)	AU	Cur	0.70	0.83	1.21	0.81	0.87	1.31	0.85	0.92	1.42	0.90	0.98	1.54	
2	Austria	AT	Cur	0.78	1.30	1.16	0.81	1.37	1.23	0.85	1.46	1.31	0.90	1.54	1.38	
12	Ireland	IE	Cur	0.78	0.99	1.25	0.81	1.04	1.35	0.85	1.11	1.45	0.90	1.17	1.56	
8	Germany	DE	Cur	0.78	1.04	1.25	0.81	1.10	1.33	0.85	1.16	1.42	0.90	1.23	1.51	
15	Japan	JP	Cur	0.78	1.36	1.29	0.81	1.44	1.37	0.85	1.53	1.46	0.90	1.62	1.55	
3	Belgium	BE	Cur	0.78	1.46	1.33	0.81	1.55	1.40	0.85	1.64	1.49	0.90	1.73	1.58	
7	France	FR	Cur	0.78	1.52	1.34	0.81	1.61	1.42	0.85	1.70	1.51	0.90	1.80	1.61	
22	Sweden	SE	Cur	0.78	1.37	1.43	0.81	1.45	1.53	0.85	1.53	1.64	0.90	1.62	1.75	
14	Italy	IT	Cur	0.78	1.33	1.73	0.81	1.41	1.85	0.85	1.49	1.98	0.90	1.58	2.12	
23	Switzerland	CH	Cur	0.78	1.14	1.86	0.81	1.21	2.01	0.85	1.28	2.18	0.90	1.36	2.36	
6	Finland	FI	Cur	0.78	1.18	1.96	0.81	1.25	2.12	0.85	1.33	2.30	0.90	1.40	2.50	
5	Denmark	DK	Cur	0.78	2.27	1.91	0.81	2.40	2.02	0.85	2.54	2.14	0.90	2.69	2.27	
19	Norway	NO	Cur	0.78	1.89	2.22	0.81	2.00	2.37	0.85	2.12	2.54	0.90	2.24	2.72	

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Table 2b. TDs per item of average letters/large envelopes (PG)

Currency for table **SDR** 1.0000 = 1 SDR **Apr 2012**

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

Terminal dues in

2014	2015	2016	2017
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Offsets- do not change	1	2	3	4	5	8	9	10	13	14	15	18	19	20
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No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost
13	Israel	IL	Cur	0.27	0.21	0.24	0.28	0.22	0.25	0.29	0.23	0.26	0.30	0.24	0.27
11	Iceland	IS	Cur	0.32	0.34	0.36	0.36	0.36	0.38	0.37	0.37	0.39	0.38	0.38	0.41
24	United States	US	Cur	0.30	0.43	0.37	0.34	0.45	0.39	0.38	0.46	0.40	0.43	0.48	0.42
1	Australia (1)	AU	0	0.36	0.42	0.38	0.40	0.43	0.39	0.42	0.45	0.41	0.43	0.47	0.42
21	Spain	ES	0	0.30	0.50	0.41	0.34	0.52	0.43	0.38	0.54	0.44	0.43	0.56	0.46
4	Canada (1)	CA	0	0.37	0.49	0.44	0.40	0.50	0.46	0.42	0.53	0.48	0.43	0.55	0.50
9	Great Britain	GB	0	0.39	0.47	0.44	0.40	0.49	0.46	0.42	0.51	0.48	0.43	0.53	0.50
18	New Zealand	NZ	0	0.38	0.40	0.44	0.40	0.41	0.46	0.42	0.43	0.48	0.43	0.45	0.50
12	Ireland	IE	0	0.39	0.50	0.47	0.40	0.52	0.49	0.42	0.54	0.51	0.43	0.56	0.53
17	Netherlands (1)	NL	0	0.39	0.59	0.53	0.40	0.61	0.55	0.42	0.64	0.57	0.43	0.66	0.59
16	Luxembourg	LU	0	0.39	0.53	0.53	0.40	0.55	0.55	0.42	0.57	0.58	0.43	0.59	0.60
10	Greece	GR	0	0.39	0.57	0.56	0.40	0.59	0.58	0.42	0.62	0.60	0.43	0.64	0.63
8	Germany	DE	0	0.39	0.52	0.56	0.40	0.54	0.58	0.42	0.57	0.61	0.43	0.59	0.63
20	Portugal	PT	0	0.39	0.66	0.58	0.40	0.69	0.60	0.42	0.71	0.62	0.43	0.74	0.65
2	Austria	AT	0	0.39	0.66	0.58	0.40	0.68	0.61	0.42	0.71	0.63	0.43	0.74	0.65
6	Finland	FI	0	0.39	0.60	0.59	0.40	0.62	0.62	0.42	0.65	0.64	0.43	0.67	0.67
23	Switzerland	CH	0	0.39	0.58	0.59	0.40	0.60	0.62	0.42	0.62	0.64	0.43	0.65	0.67
22	Sweden	SE	0	0.39	0.69	0.60	0.40	0.72	0.62	0.42	0.75	0.65	0.43	0.78	0.67
15	Japan	JP	0	0.39	0.69	0.61	0.40	0.72	0.63	0.42	0.75	0.66	0.43	0.78	0.68
7	France	FR	0	0.39	0.77	0.64	0.40	0.80	0.66	0.42	0.83	0.69	0.43	0.86	0.72
3	Belgium	BE	0	0.39	0.74	0.67	0.40	0.77	0.69	0.42	0.80	0.72	0.43	0.83	0.75
14	Italy	IT	0	0.39	0.67	0.72	0.40	0.70	0.75	0.42	0.73	0.78	0.43	0.76	0.82
19	Norway	NO	0	0.39	0.96	0.92	0.40	0.99	0.96	0.42	1.03	1.00	0.43	1.07	1.04
5	Denmark	DK	0	0.39	1.15	0.98	0.40	1.19	1.01	0.42	1.24	1.05	0.43	1.29	1.10

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Table 2c. TDs per item of average small packets (E)

Currency for table SDR 1.0000 = 1 SDR Apr 2012

	2014	2015	2016	2017
IPK for typical LP item	10.94	10.50	10.07	9.66
Rate multiplier from 2011	110.0%	114.4%	119.0%	123.7%

Terminal dues in

2014	2015	2016	2017
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Offsets- do not change	1	2	3	4	5	8	9	10	13	14	15	18	19	20
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No	Country	ISO	Cur	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost	POCRev	NoCap	DomPost
1	Australia (1)	AU	SDR	1.00	1.18	2.99	1.13	1.22	3.11	1.17	1.27	3.23	1.21	1.32	3.36
2	Austria	AT	SDR	1.11	1.85	1.69	1.14	1.92	1.76	1.17	2.00	1.83	1.21	2.08	1.90
3	Belgium	BE	SDR	1.11	2.08	1.90	1.14	2.16	1.98	1.17	2.25	2.06	1.21	2.34	2.14
4	Canada (1)	CA	SDR	1.04	1.37	1.12	1.14	1.42	1.17	1.17	1.48	1.22	1.21	1.54	1.26
5	Denmark	DK	SDR	1.11	3.23	2.68	1.14	3.36	2.79	1.17	3.50	2.90	1.21	3.64	3.01
6	Finland	FI	SDR	1.11	1.69	4.95	1.14	1.75	5.15	1.17	1.82	5.36	1.21	1.90	5.57
7	France	FR	SDR	1.11	2.17	2.12	1.14	2.25	2.21	1.17	2.34	2.30	1.21	2.44	2.39
8	Germany	DE	SDR	1.11	1.48	2.16	1.14	1.53	2.24	1.17	1.59	2.33	1.21	1.66	2.42
9	Great Britain	GB	SDR	1.11	1.33	2.48	1.14	1.38	2.58	1.17	1.44	2.69	1.21	1.50	2.79
10	Greece	GR	SDR	1.11	1.61	1.36	1.14	1.67	1.41	1.17	1.74	1.47	1.21	1.81	1.53
11	Iceland	IS	SDR	0.95	0.96	0.89	1.00	1.00	0.93	1.04	1.04	0.97	1.08	1.08	1.01
12	Ireland	IE	SDR	1.11	1.41	2.67	1.14	1.46	2.78	1.17	1.52	2.89	1.21	1.58	3.01
13	Israel	IL	SDR	0.77	0.60	0.65	0.79	0.62	0.68	0.81	0.65	0.71	0.83	0.67	0.74
14	Italy	IT	SDR	1.11	1.89	3.27	1.14	1.97	3.40	1.17	2.05	3.54	1.21	2.13	3.68
15	Japan	JP	SDR	1.11	1.94	2.08	1.14	2.02	2.16	1.17	2.10	2.25	1.21	2.19	2.34
16	Luxembourg	LU	SDR	1.11	1.49	1.21	1.14	1.54	1.26	1.17	1.61	1.31	1.21	1.67	1.36
17	Netherlands (1)	NL	SDR	1.11	1.66	1.26	1.14	1.73	1.31	1.17	1.80	1.37	1.21	1.87	1.42
18	New Zealand	NZ	SDR	1.09	1.12	0.80	1.14	1.16	0.83	1.17	1.21	0.87	1.21	1.26	0.90
19	Norway	NO	SDR	1.11	2.69	4.25	1.14	2.80	4.42	1.17	2.91	4.59	1.21	3.03	4.78
20	Portugal	PT	SDR	1.11	1.86	1.50	1.14	1.94	1.56	1.17	2.01	1.62	1.21	2.09	1.68
21	Spain	ES	SDR	0.84	1.41	1.58	0.95	1.47	1.64	1.07	1.53	1.70	1.21	1.59	1.77
22	Sweden	SE	SDR	1.11	1.95	2.71	1.14	2.02	2.82	1.17	2.10	2.93	1.21	2.19	3.05
23	Switzerland	CH	SDR	1.11	1.63	4.54	1.14	1.69	4.72	1.17	1.76	4.91	1.21	1.83	5.10
24	United States	US	SDR	0.84	1.21	2.52	0.95	1.25	2.62	1.07	1.30	2.73	1.21	1.36	2.84

Notes

(1) UPU data on domestic postage rates for Canada, Netherlands, supplemented with data from operator websites. Canadian domestic appear relatively understated.

Chart 2a-1. Terminal dues per item of average letter post (LP) - 2014

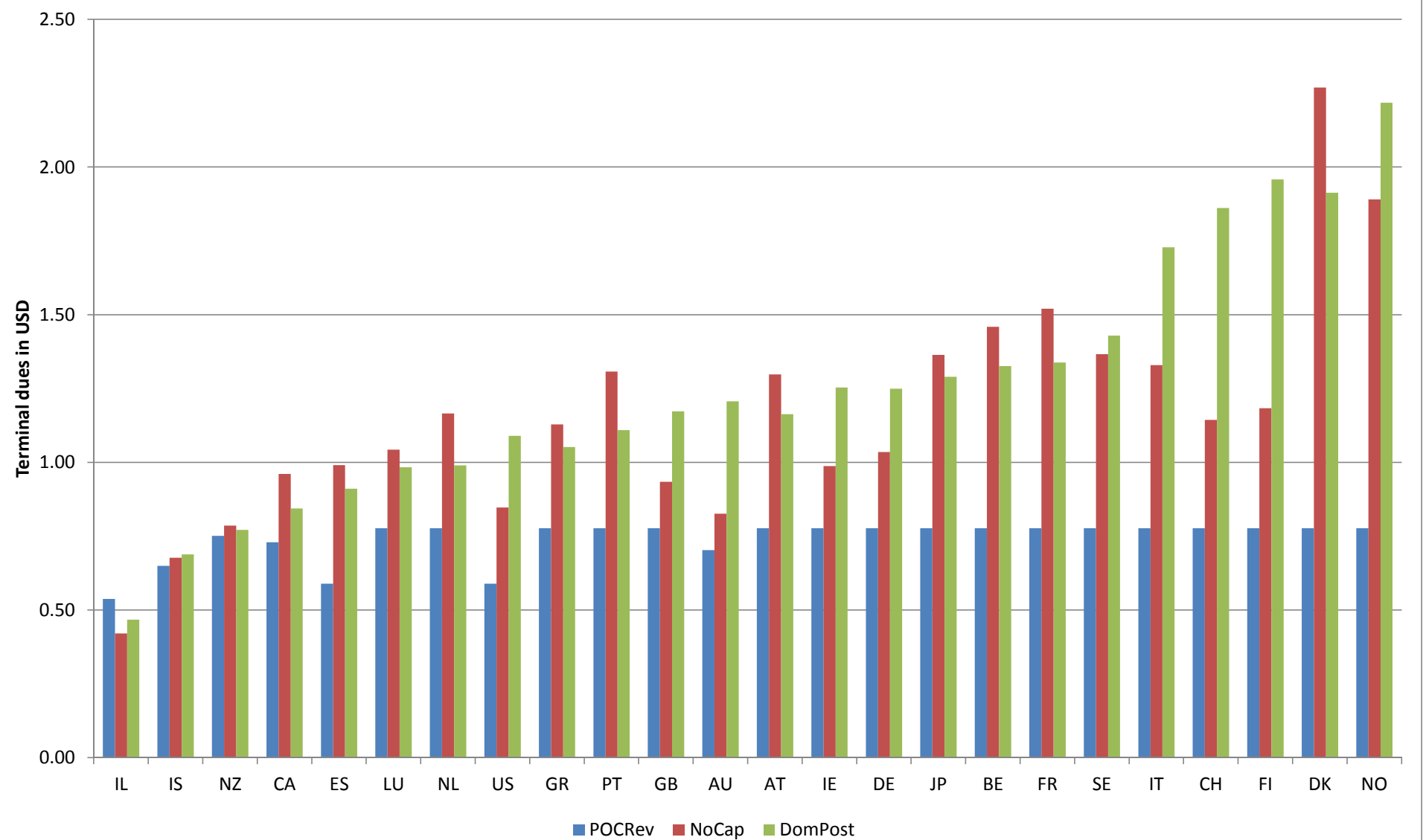


Table 3a. Domestic postage coverage for letter post (LP)

Currency & date		USD	1.5430 = 1 SDR		Apr 2012										
			2014	2015	2016	2017									
IPK for typical LP item			10.94	10.50	10.07	9.66									
Rate multiplier from 2011			110.0%	114.4%	119.0%	123.7%									
Offsets		7	3	4	5			18	19	20					
		2014							2017						
		TD per item					% of DomPost		TD per item					% of DomPost	
No	Country	ISO	% In	POCRev	NoCap	DomPost	POCRev	NoCap	POCRev	NoCap	DomPost	POCRev	NoCap		
13	Israel	IL	0.6%	0.538	0.421	0.468	115%	90%	0.617	0.500	0.554	111%	90%		
18	New Zealand	NZ	1.2%	0.751	0.786	0.772	97%	102%	0.896	0.933	0.892	100%	105%		
11	Iceland	IS	0.1%	0.650	0.678	0.688	94%	98%	0.804	0.804	0.810	99%	99%		
4	Canada	CA	4.3%	0.730	0.961	0.844	86%	114%	0.896	1.140	0.996	90%	114%		
16	Luxembourg	LU	0.8%	0.777	1.043	0.984	79%	106%	0.896	1.237	1.152	78%	107%		
17	Netherlands	NL	4.4%	0.777	1.166	0.990	78%	118%	0.896	1.385	1.164	77%	119%		
10	Greece	GR	1.2%	0.777	1.128	1.052	74%	107%	0.896	1.340	1.238	72%	108%		
20	Portugal	PT	1.0%	0.777	1.308	1.109	70%	118%	0.896	1.552	1.310	68%	118%		
2	Austria	AT	7.8%	0.777	1.298	1.164	67%	112%	0.896	1.542	1.384	65%	111%		
9	Great Britain	GB	9.4%	0.777	0.935	1.173	66%	80%	0.896	1.109	1.458	61%	76%		
21	Spain	ES	2.8%	0.590	0.991	0.911	65%	109%	0.896	1.177	1.104	81%	107%		
8	Germany	DE	12.4%	0.777	1.035	1.250	62%	83%	0.896	1.229	1.514	59%	81%		
12	Ireland	IE	2.6%	0.777	0.988	1.253	62%	79%	0.896	1.173	1.559	57%	75%		
15	Japan	JP	5.3%	0.777	1.364	1.290	60%	106%	0.896	1.620	1.550	58%	104%		
3	Belgium	BE	3.1%	0.777	1.460	1.326	59%	110%	0.896	1.734	1.576	57%	110%		
1	Australia	AU	5.8%	0.703	0.826	1.207	58%	68%	0.896	0.980	1.535	58%	64%		
7	France	FR	6.5%	0.777	1.520	1.339	58%	114%	0.896	1.805	1.606	56%	112%		
22	Sweden	SE	2.2%	0.777	1.367	1.429	54%	96%	0.896	1.622	1.751	51%	93%		
24	United States	US	10.8%	0.590	0.847	1.090	54%	78%	0.896	1.005	1.372	65%	73%		
14	Italy	IT	4.9%	0.777	1.329	1.728	45%	77%	0.896	1.578	2.117	42%	75%		
23	Switzerland	CH	3.8%	0.777	1.144	1.861	42%	61%	0.896	1.357	2.361	38%	57%		
5	Denmark	DK	1.9%	0.777	2.270	1.913	41%	119%	0.896	2.695	2.268	40%	119%		
6	Finland	FI	2.8%	0.777	1.184	1.958	40%	60%	0.896	1.405	2.499	36%	56%		
19	Norway	NO	4.3%	0.777	1.891	2.218	35%	85%	0.896	2.245	2.720	33%	83%		
Avg (weighted)				1.147	1.795	2.000	57%	90%	1.379	2.131	2.446	56%	87%		
Over/underpricing							-43%	-10%				-44%	-13%		

Notes

1) Average weighted according to the percentage of Grp 1.1 mail imported (from all countries) by each country.

Table 3b. Domestic postage coverage for letters and envelopes (PG)

Currency & date				1.0000 = 1 SDR Apr 2012									
				2014	2015	2016	2017						
IPK for typical LP item				10.94	10.50	10.07	9.66						
Rate multiplier from 2011				110.0%	114.4%	119.0%	123.7%						
Offsets				3	4	5		18	19	20			
				2014					2017				
				TD per item			% of DomPost		TD per item			% of DomPost	
No	Country	ISO	% In	POCRev	NoCap	DomPost	POCRev	NoCap	POCRev	NoCap	DomPost	POCRev	NoCap
5	Denmark	DK	1.9%	0.393	1.147	0.975	40%	118%	0.429	1.290	1.097	39%	118%
19	Norway	NO	4.3%	0.393	0.955	0.920	43%	104%	0.429	1.075	1.035	41%	104%
14	Italy	IT	4.9%	0.393	0.672	0.725	54%	93%	0.429	0.756	0.815	53%	93%
3	Belgium	BE	3.1%	0.393	0.737	0.668	59%	110%	0.429	0.830	0.751	57%	110%
7	France	FR	6.5%	0.393	0.768	0.637	62%	121%	0.429	0.864	0.716	60%	121%
15	Japan	JP	5.3%	0.393	0.689	0.608	65%	113%	0.429	0.776	0.684	63%	113%
22	Sweden	SE	2.2%	0.393	0.690	0.598	66%	115%	0.429	0.777	0.673	64%	115%
23	Switzerland	CH	3.8%	0.393	0.578	0.594	66%	97%	0.429	0.650	0.668	64%	97%
6	Finland	FI	2.8%	0.393	0.598	0.591	66%	101%	0.429	0.673	0.665	64%	101%
2	Austria	AT	7.8%	0.393	0.656	0.582	68%	113%	0.429	0.738	0.655	66%	113%
20	Portugal	PT	1.0%	0.393	0.661	0.576	68%	115%	0.429	0.743	0.648	66%	115%
8	Germany	DE	12.4%	0.393	0.523	0.562	70%	93%	0.429	0.588	0.633	68%	93%
10	Greece	GR	1.2%	0.393	0.570	0.557	70%	102%	0.429	0.642	0.627	68%	102%
21	Spain	ES	2.8%	0.298	0.501	0.409	73%	122%	0.429	0.563	0.460	93%	122%
16	Luxembourg	LU	0.8%	0.393	0.527	0.533	74%	99%	0.429	0.592	0.599	72%	99%
17	Netherlands (1)	NL	4.4%	0.393	0.589	0.527	75%	112%	0.429	0.663	0.593	72%	112%
24	United States	US	10.8%	0.298	0.428	0.373	80%	115%	0.429	0.481	0.419	102%	115%
4	Canada (1)	CA	4.3%	0.369	0.486	0.441	84%	110%	0.429	0.546	0.496	87%	110%
12	Ireland	IE	2.6%	0.393	0.499	0.470	84%	106%	0.429	0.562	0.529	81%	106%
18	New Zealand	NZ	1.2%	0.376	0.397	0.445	84%	89%	0.429	0.447	0.501	86%	89%
9	Great Britain	GB	9.4%	0.393	0.472	0.443	89%	107%	0.429	0.531	0.499	86%	106%
11	Iceland	IS	0.1%	0.324	0.342	0.363	89%	94%	0.385	0.385	0.409	94%	94%
1	Australia (1)	AU	5.8%	0.355	0.417	0.376	95%	111%	0.429	0.469	0.423	101%	111%
13	Israel	IL	0.6%	0.272	0.213	0.238	114%	89%	0.296	0.239	0.268	110%	89%
Avg (weighted)				0.376	0.588	0.549	68%	107%	0.428	0.661	0.617	69%	107%
Over/underpricing							-32%	7%				-31%	7%

Notes

1) Average weighted according to the percentage of Grp 1.1 mail imported (from all countries) by each country.

Table 3c. Domestic postage coverage for small packets (E)

Currency & date				USD		1.5430 = 1 SDR		Apr 2012							
				2014		2015		2016		2017					
IPK for typical LP item				10.94		10.50		10.07		9.66					
Rate multiplier from 2011				110.0%		114.4%		119.0%		123.7%					
Offsets				3		4		5		18		19		20	
				2014					2017						
				TD per item			% of DomPost		TD per item			% of DomPost			
No	Country	ISO	% In	POCRev	NoCap	DomPost	POCRev	NoCap	POCRev	NoCap	DomPost	POCRev	NoCap		
18	New Zealand	NZ	1.2%	1.089	1.120	0.800	136%	140%	1.208	1.259	0.900	134%	140%		
13	Israel	IL	0.6%	0.766	0.600	0.655	117%	92%	0.833	0.674	0.736	113%	92%		
11	Iceland	IS	0.1%	0.947	0.965	0.895	106%	108%	1.084	1.084	1.007	108%	108%		
4	Canada (1)	CA	4.3%	1.039	1.369	1.124	92%	122%	1.208	1.539	1.264	96%	122%		
16	Luxembourg	LU	0.8%	1.106	1.486	1.207	92%	123%	1.208	1.670	1.358	89%	123%		
17	Netherlands (1)	NL	4.4%	1.106	1.662	1.263	88%	132%	1.208	1.868	1.421	85%	132%		
10	Greece	GR	1.2%	1.106	1.608	1.358	81%	118%	1.208	1.808	1.527	79%	118%		
20	Portugal	PT	1.0%	1.106	1.863	1.497	74%	125%	1.208	2.095	1.684	72%	124%		
2	Austria	AT	7.8%	1.106	1.850	1.690	65%	110%	1.208	2.080	1.901	64%	109%		
3	Belgium	BE	3.1%	1.106	2.080	1.901	58%	109%	1.208	2.339	2.139	57%	109%		
15	Japan	JP	5.3%	1.106	1.944	2.076	53%	94%	1.208	2.186	2.335	52%	94%		
21	Spain	ES	2.8%	0.839	1.413	1.576	53%	90%	1.208	1.588	1.773	68%	90%		
7	France	FR	6.5%	1.106	2.167	2.122	52%	102%	1.208	2.436	2.387	51%	102%		
8	Germany	DE	12.4%	1.106	1.476	2.156	51%	68%	1.208	1.659	2.425	50%	68%		
9	Great Britain	GB	9.4%	1.106	1.332	2.483	45%	54%	1.208	1.496	2.793	43%	54%		
12	Ireland	IE	2.6%	1.106	1.407	2.673	41%	53%	1.208	1.582	3.007	40%	53%		
5	Denmark	DK	1.9%	1.106	3.235	2.680	41%	121%	1.208	3.637	3.015	40%	121%		
22	Sweden	SE	2.2%	1.106	1.947	2.711	41%	72%	1.208	2.189	3.050	40%	72%		
14	Italy	IT	4.9%	1.106	1.894	3.269	34%	58%	1.208	2.130	3.677	33%	58%		
1	Australia (1)	AU	5.8%	1.544	1.816	4.615	33%	39%	1.865	2.041	5.191	36%	39%		
24	United States	US	10.8%	0.839	1.207	2.522	33%	48%	1.208	1.357	2.837	43%	48%		
19	Norway	NO	4.3%	1.106	2.694	4.248	26%	63%	1.208	3.029	4.779	25%	63%		
23	Switzerland	CH	3.8%	1.106	1.629	4.537	24%	36%	1.208	1.832	5.103	24%	36%		
6	Finland	FI	2.8%	1.106	1.687	4.954	22%	34%	1.208	1.896	5.573	22%	34%		
Weighted avg				1.681	2.615	3.884	43%	67%	1.919	2.940	4.370	44%	67%		
Over/underpricing							-57%	-33%				-56%	-33%		

Notes

1) Average weighted according to the percentage of Grp 1.1 mail imported (from all countries) by each country.

Chart 3a-1. Over/underpricing of TDs compared to bulk domestic postage -- letter post (LP), 2014

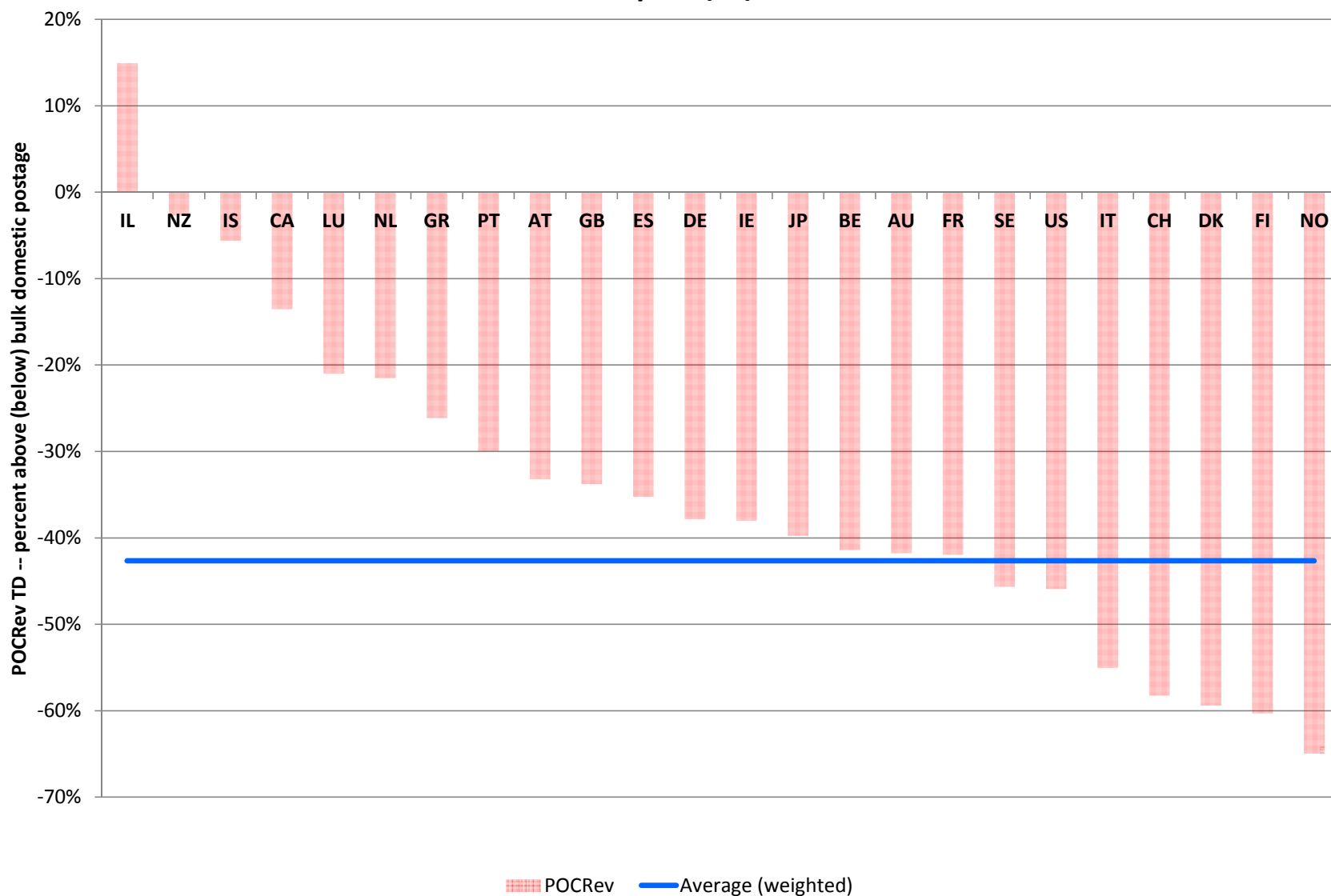
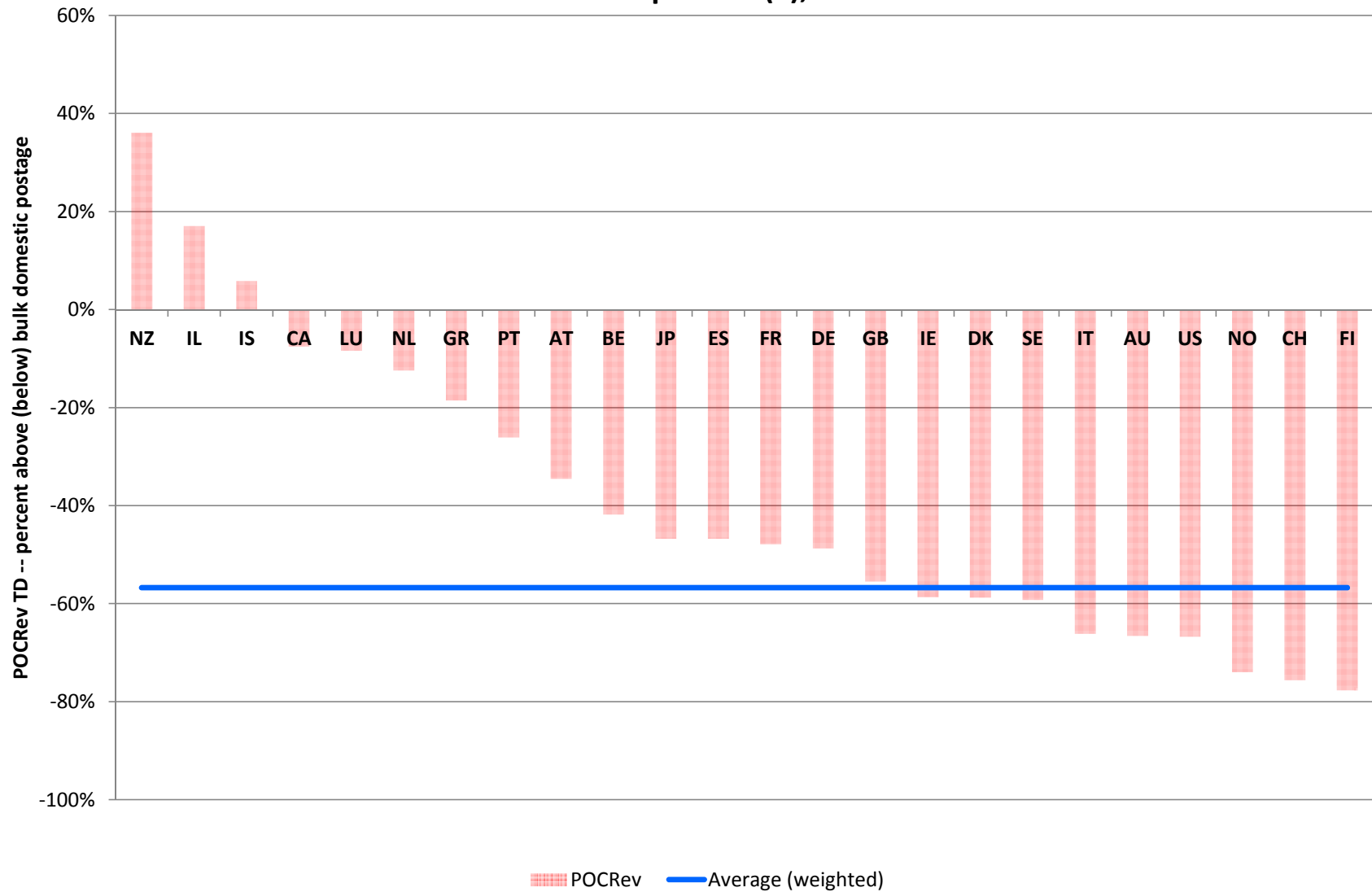
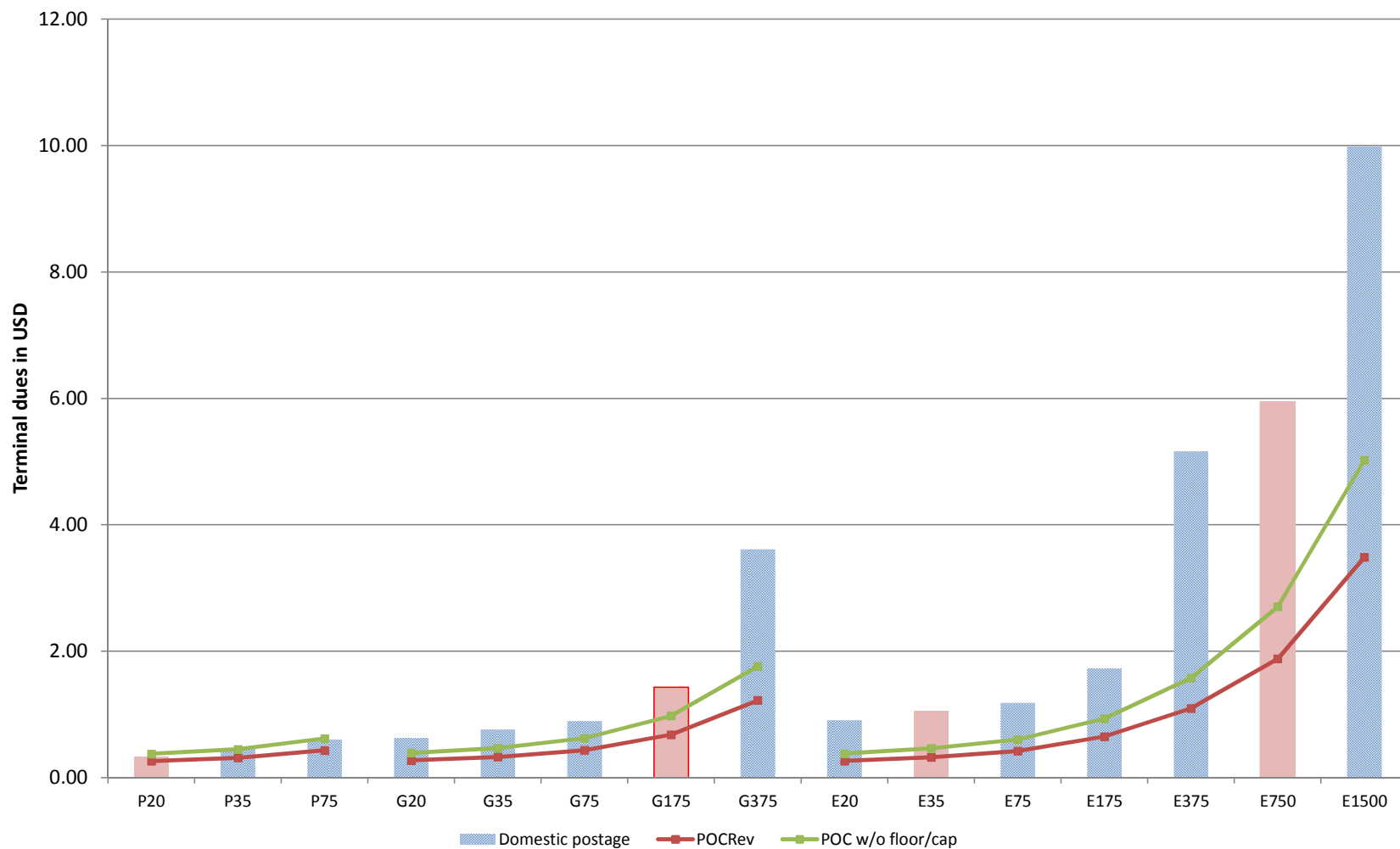


Chart 3c-1. Over/underpricing of TDs compared to bulk domestic postage -- small packets (E), 2014



Country & year	US	2014											Rate multiplier from 2011		110.0%	
Currency & date	USD	1.5430 = 1 SDR	Apr 2012										POCRev per kg & item		1.741	0.223
													NoCap per kg & item		2.506	0.32
													% of priority domestic rates		70%	
Offsets (dompost)	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Terminal dues in USD	P20	P35	P75	G20	G35	G75	G175	G375	E20	E35	E75	E175	E375	E750	E1500	
POCRev	0.261	0.312	0.432	0.272	0.326	0.434	0.680	1.223	0.265	0.322	0.420	0.650	1.097	1.880	3.489	
POC w/o floor/cap	0.375	0.449	0.621	0.391	0.469	0.624	0.978	1.760	0.380	0.462	0.604	0.934	1.578	2.705	5.021	
Domestic postage	0.331	0.469	0.606	0.629	0.763	0.896	1.431	3.616	0.910	1.047	1.184	1.731	5.163	5.949	9.989	
Shape/weight steps																
From weight, g	0	21	51	0	21	51	101	251	0	21	51	101	251	501	1001	
To weight, g	20	35	100	20	35	100	250	500	20	35	100	250	500	1000	2000	
% of items within shape	76%	21%	2%	6%	26%	27%	31%	10%	6%	8%	12%	23%	21%	21%	9%	
% of items per shape/wt	52%	15%	1%	1%	5%	5%	6%	2%	1%	1%	2%	3%	3%	3%	1%	
Avg wt per shape/wt, g	14.28	33.25	77.92	18.39	38.41	78.70	170.22	372.34	15.52	36.85	73.45	158.86	325.32	616.80	1215.81	
Distribution of LP by shape		P	G	E	LP											
Percent of volume		67.9%	19.7%	12.4%	100%											
Average TD per shape		P	G	E	LP	Check										
POCRev	USD	0.276	0.556	1.174	0.443	0.382										
NoCap	USD	0.396	0.799	1.689	0.636	0.549										
Domestic postage	USD	0.367	1.294	3.891	0.988	0.707										
Domestic postage coverage		P	G	E	LP											
POCRev		75%	43%	30%	45%											
NoCap		108%	62%	43%	64%											

Chart 4-1-US. Domestic postage by shape/weight step: United States - 2014



Offsets (dompost)	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Terminal dues in USD	P20	P35	P75	G20	G35	G75	G175	G375	E20	E35	E75	E175	E375	E750	E1500
POCRev	0.376	0.450	0.622	0.392	0.470	0.625	0.979	1.761	0.381	0.464	0.605	0.936	1.579	2.707	5.024
POC w/o floor/cap	0.422	0.504	0.699	0.440	0.527	0.702	1.100	1.978	0.427	0.520	0.679	1.050	1.774	3.040	5.643
Domestic postage	0.373	0.527	0.682	0.707	0.858	1.008	1.609	4.068	1.023	1.177	1.331	1.947	5.808	6.692	11.237
Shape/weight steps															
From weight, g	0	21	51	0	21	51	101	251	0	21	51	101	251	501	1001
To weight, g	20	35	100	20	35	100	250	500	20	35	100	250	500	1000	2000
% of items within shape	76%	21%	2%	6%	26%	27%	31%	10%	6%	8%	12%	23%	21%	21%	9%
% of items per shape/wt	52%	15%	1%	1%	5%	5%	6%	2%	1%	1%	2%	3%	3%	3%	1%
Avg wt per shape/wt, g	14.28	33.25	77.92	18.39	38.41	78.70	170.22	372.34	15.52	36.85	73.45	158.86	325.32	616.80	1215.81
Distribution of LP by shape		P	G	E	LP										
Percent of volume		67.9%	19.7%	12.4%	100%										
Average TD per shape		P	G	E	LP	Check									
POCRev	USD	0.397	0.800	1.690	0.637	0.581									
NoCap	USD	0.446	0.898	1.898	0.715	0.652									
Domestic postage	USD	0.413	1.456	4.377	1.111	0.889									
Domestic postage coverage		P	G	E	LP										
POCRev		96%	55%	39%	57%										
NoCap		108%	62%	43%	64%										

Chart 4-4-US. Domestic postage by shape/weight step: United States - 2017

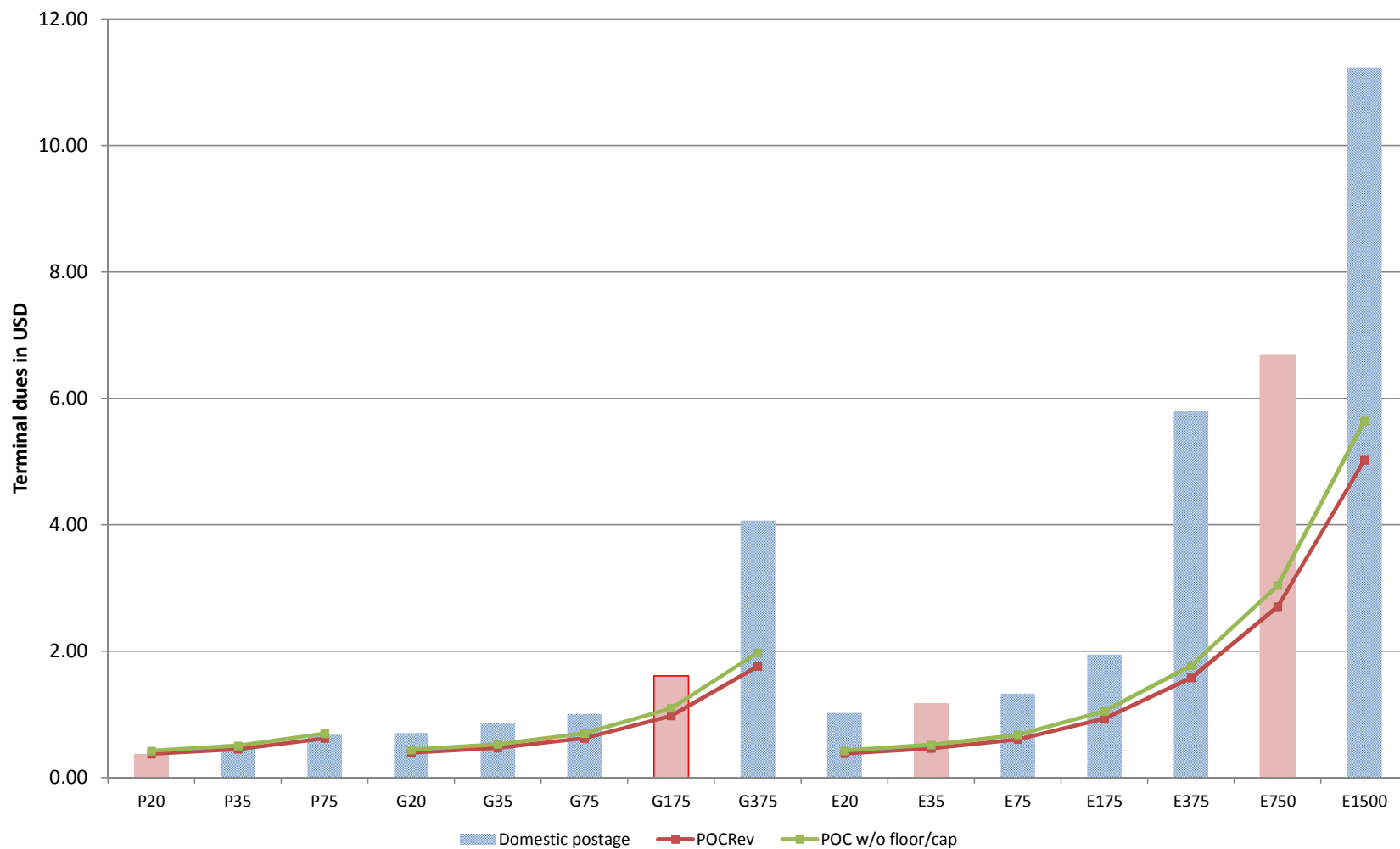


Table 5. Bilateral Flow Model: Letter Post Flows Among Group 1.1 Countries, 2010

This sheet sets out the final 2010 bilateral letter post flows (volumes) used in model calculations. It can access alternative sources of volume flow data

Source **Flows1** Address: Flows1!\$C\$11:\$AK\$34

Offsets		6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32		
Index		1	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	
Outbound mail (millions of LP)																														
	AU	AT	BE	CA	DK	FI	FR	DE	GB	GR	IS	IE	IL	IT	JP	LU	NL	NZ	NO	PT	ES	SE	CH	US		Outbound vol to Grp 1.1 2010	Inbound vol from Grp 1.1 2010			
Origin																														
1 Australia	AU		1.3	0.3	1.3	0.7	0.4	1.1	1.4	5.5	0.2	0.0	0.5	0.0	0.8	6.9	0.1	0.7	14.7	1.1	0.1	0.3	0.5	0.8	8.2		46.9	72.2		
2 Austria	AT	0.7		3.1	0.7	1.5	3.3	4.8	70.9	7.3	1.2	0.1	0.6	0.4	11.8	1.4	0.4	7.6	0.2	2.2	0.6	1.6	2.8	9.5	4.5		137.3	170.3		
3 Belgium	BE	0.4	3.5		0.5	1.0	1.9	10.3	6.7	7.2	0.6	0.0	0.7	0.2	2.3	1.4	1.4	8.7	0.2	1.5	0.6	1.4	1.1	3.6	6.4		61.3	79.4		
4 Canada	CA	2.7	2.0	0.9		0.6	1.0	4.2	3.8	8.3	1.3	0.1	0.8	0.3	1.1	3.1	0.1	1.4	1.0	1.2	0.3	0.8	1.1	3.0	67.7		106.9	93.3		
5 Denmark	DK	0.7	1.5	0.7	0.4		2.3	1.2	3.6	2.3	0.4	0.1	0.3	0.1	0.9	1.0	0.0	1.2	0.7	7.5	0.2	0.8	4.0	0.9	4.3		35.1	42.3		
6 Finland	FI	1.0	2.1	0.4	0.2	0.5		0.8	2.8	1.7	0.3	0.0	0.1	0.0	1.1	0.9	0.1	1.1	0.2	2.2	0.2	0.7	3.9	0.5	1.2		22.1	61.2		
7 France	FR	4.6	13.2	27.3	4.7	1.9	2.7		27.7	28.4	2.2	-1.3	3.6	0.7	15.8	3.7	1.4	11.3	1.0	2.3	2.6	4.7	2.9	10.0	27.9		199.4	141.8		
8 Germany	DE	3.7	62.0	8.1	3.8	6.8	14.2	18.2		28.8	2.5	0.2	3.5	0.7	11.1	9.0	3.3	16.8	1.8	7.8	2.2	7.2	5.7	19.6	29.3		266.5	272.2		
9 Great Britain	GB	16.6	12.3	7.6	8.9	7.2	9.0	23.6	27.4		4.4	0.7	14.2	1.5	14.3	14.8	2.6	22.1	3.4	18.6	2.7	13.0	7.3	16.2	74.3		322.7	227.2		
10 Greece	GR	0.4	3.2	0.7	0.6	0.6	0.5	1.6	3.7	5.5		0.0	0.1	0.4	1.7	0.3	0.1	1.0	0.1	1.3	0.1	0.4	0.4	1.7	7.2		31.3	25.5		
11 Iceland	IS	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.1	0.0	0.1		1.2	1.3		
12 Ireland	IE	0.5	1.7	0.7	0.4	0.4	0.9	2.6	3.6	7.1	0.1	0.0		0.1	2.5	0.8	0.2	1.5	0.1	1.1	0.4	1.1	0.7	0.7	2.1		29.5	65.8		
13 Israel	IL	0.0	0.4	0.1	0.2	0.0	0.1	0.3	0.2	0.3	0.1	0.0	0.0		0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.0	1.1		3.5	8.2		
14 Italy	IT	1.2	12.4	2.1	1.0	0.4	1.0	6.0	7.5	5.3	1.0	0.0	1.1	0.2		1.4	0.3	2.1	0.3	1.5	0.5	2.4	0.7	4.2	4.6		57.1	106.9		
15 Japan	JP	1.7	0.6	1.0	1.5	0.5	0.3	0.8	4.2	5.3	0.1	0.0	0.2	0.0	0.4		0.1	1.7	0.4	0.5	0.0	0.4	0.4	0.8	14.6		35.6	115.6		
16 Luxembourg	LU	0.1	1.1	3.1	0.2	0.2	0.5	3.5	5.9	4.2	0.2	0.0	0.3	0.0	2.8	1.0		1.4	0.0	0.3	0.1	0.6	0.6	2.3	1.3		29.9	18.6		
17 Netherlands	NL	2.4	7.1	7.7	1.7	3.6	4.1	7.6	19.6	16.0	1.2	0.1	12.0	0.6	4.6	2.3	0.3		0.6	6.1	0.9	3.2	2.0	5.4	11.4		120.3	109.1		
18 New Zealand	NZ	12.0	1.2	0.1	0.5	0.5	0.0	0.4	0.0	2.0	0.0	0.0	0.1	0.0	0.3	2.1	0.0	0.4		0.2	0.0	0.0	0.0	0.0	0.0		19.9	27.1		
19 Norway	NO	0.3	0.7	0.6	0.3	1.3	1.4	0.6	1.7	2.9	0.1	0.1	0.1	0.0	0.3	0.5	0.0	0.6	0.1		0.1	0.2	2.2	0.4	4.9		19.5	95.2		
20 Portugal	PT	0.1	2.0	1.0	0.4	0.4	0.9	5.1	3.5	5.1	0.1	0.0	0.5	0.0	1.5	0.1	0.2	1.3	0.0	0.9		5.0	0.4	1.2	1.5		31.2	22.2		
21 Spain	ES	0.6	4.0	3.9	1.0	1.3	1.8	12.6	13.4	20.6	0.6	0.1	1.6	0.2	4.9	0.6	0.4	4.3	0.0	4.4	5.6		1.5	5.4	5.5		94.3	63.5		
22 Sweden	SE	0.3	1.6	0.6	0.7	1.9	4.8	2.2	2.3	2.7	0.2	0.0	0.3	0.1	0.7	0.4	0.1	1.0	0.1	10.2	0.2	0.7		2.0	2.2		35.1	47.5		
23 Switzerland	CH	4.3	27.0	5.9	5.7	4.2	3.2	16.7	37.2	10.6	2.2	0.2	3.1	0.0	17.6	8.9	5.8	9.7	0.0	5.1	3.8	10.4	2.4		0.0		184.0	94.6		
24 United States	US	18.1	9.3	3.6	58.8	6.6	6.9	17.4	24.9	49.8	6.4	0.7	22.1	2.7	10.2	55.0	1.6	12.9	2.1	19.0	1.2	8.6	6.9	6.3			351.0	280.5		
Total																											2,241.6	2,241.6		

Imports

Group 1.1 inbound implied by out 72.2 170.3 79.4 93.3 42.3 61.2 141.8 272.2 227.2 25.5 1.3 65.8 8.2 106.9 115.6 18.6 109.1 27.1 95.2 22.2 63.5 47.5 94.6 280.5

Table 6a. Bilateral Flow Model: Intra-Group 1.1 Letter Post Volumes

Offset			10	10		11	11		12	12		13	13	
Millions of items; negative net = inbound balance														
No	Origin	ISO	2014			2015			2016			2017		
			Out	In	Net	Out	In	Net	Out	In	Net	Out	In	Net
24	United States	US	386.0	308.5	77.5	401.5	320.9	80.6	417.5	333.7	83.9	434.2	347.0	87.2
9	Great Britain	GB	355.0	249.9	105.0	369.2	259.9	109.2	383.9	270.3	113.6	399.3	281.2	118.1
8	Germany	DE	293.1	299.4	-6.3	304.8	311.4	-6.5	317.0	323.8	-6.8	329.7	336.8	-7.0
7	France	FR	219.3	156.0	63.3	228.1	162.2	65.9	237.2	168.7	68.5	246.7	175.4	71.2
23	Switzerland	CH	202.4	104.1	98.3	210.5	108.3	102.2	218.9	112.6	106.3	227.7	117.1	110.6
2	Austria	AT	151.1	187.4	-36.3	157.1	194.9	-37.8	163.4	202.7	-39.3	169.9	210.8	-40.8
17	Netherlands	NL	132.4	120.0	12.3	137.7	124.8	12.8	143.2	129.8	13.3	148.9	135.0	13.9
4	Canada	CA	117.6	102.6	15.0	122.3	106.8	15.6	127.2	111.0	16.2	132.3	115.5	16.8
21	Spain	ES	103.7	69.8	33.9	107.9	72.6	35.3	112.2	75.5	36.7	116.7	78.5	38.2
3	Belgium	BE	67.4	87.4	-19.9	70.1	90.9	-20.7	72.9	94.5	-21.6	75.9	98.3	-22.4
14	Italy	IT	62.8	117.6	-54.8	65.3	122.3	-57.0	67.9	127.2	-59.3	70.6	132.3	-61.7
1	Australia	AU	51.6	79.5	-27.9	53.7	82.6	-29.0	55.8	85.9	-30.2	58.0	89.4	-31.4
15	Japan	JP	39.1	127.1	-88.0	40.7	132.2	-91.5	42.3	137.5	-95.2	44.0	143.0	-99.0
22	Sweden	SE	38.7	52.2	-13.6	40.2	54.3	-14.1	41.8	56.5	-14.7	43.5	58.7	-15.3
5	Denmark	DK	38.6	46.5	-7.9	40.1	48.3	-8.2	41.7	50.3	-8.6	43.4	52.3	-8.9
20	Portugal	PT	34.3	24.4	9.9	35.7	25.4	10.3	37.1	26.4	10.7	38.6	27.5	11.1
10	Greece	GR	34.4	28.0	6.4	35.8	29.1	6.7	37.2	30.3	6.9	38.7	31.5	7.2
12	Ireland	IE	32.5	72.3	-39.8	33.8	75.2	-41.4	35.2	78.2	-43.1	36.6	81.4	-44.8
16	Luxembourg	LU	32.9	20.4	12.5	34.2	21.3	13.0	35.6	22.1	13.5	37.0	23.0	14.0
6	Finland	FI	24.3	67.3	-43.0	25.3	70.0	-44.7	26.3	72.8	-46.5	27.4	75.7	-48.4
19	Norway	NO	21.4	104.8	-83.3	22.3	109.0	-86.7	23.2	113.3	-90.1	24.1	117.9	-93.7
18	New Zealand	NZ	21.9	29.9	-7.9	22.8	31.1	-8.3	23.7	32.3	-8.6	24.7	33.6	-8.9
13	Israel	IL	3.9	9.1	-5.2	4.0	9.4	-5.4	4.2	9.8	-5.6	4.3	10.2	-5.9
11	Iceland	IS	1.3	1.4	-0.1	1.3	1.5	-0.1	1.4	1.5	-0.1	1.4	1.6	-0.1

Chart 6a-1. Bilateral Flow Model: Intra-Group 1.1 Letter Post Volumes - 2014

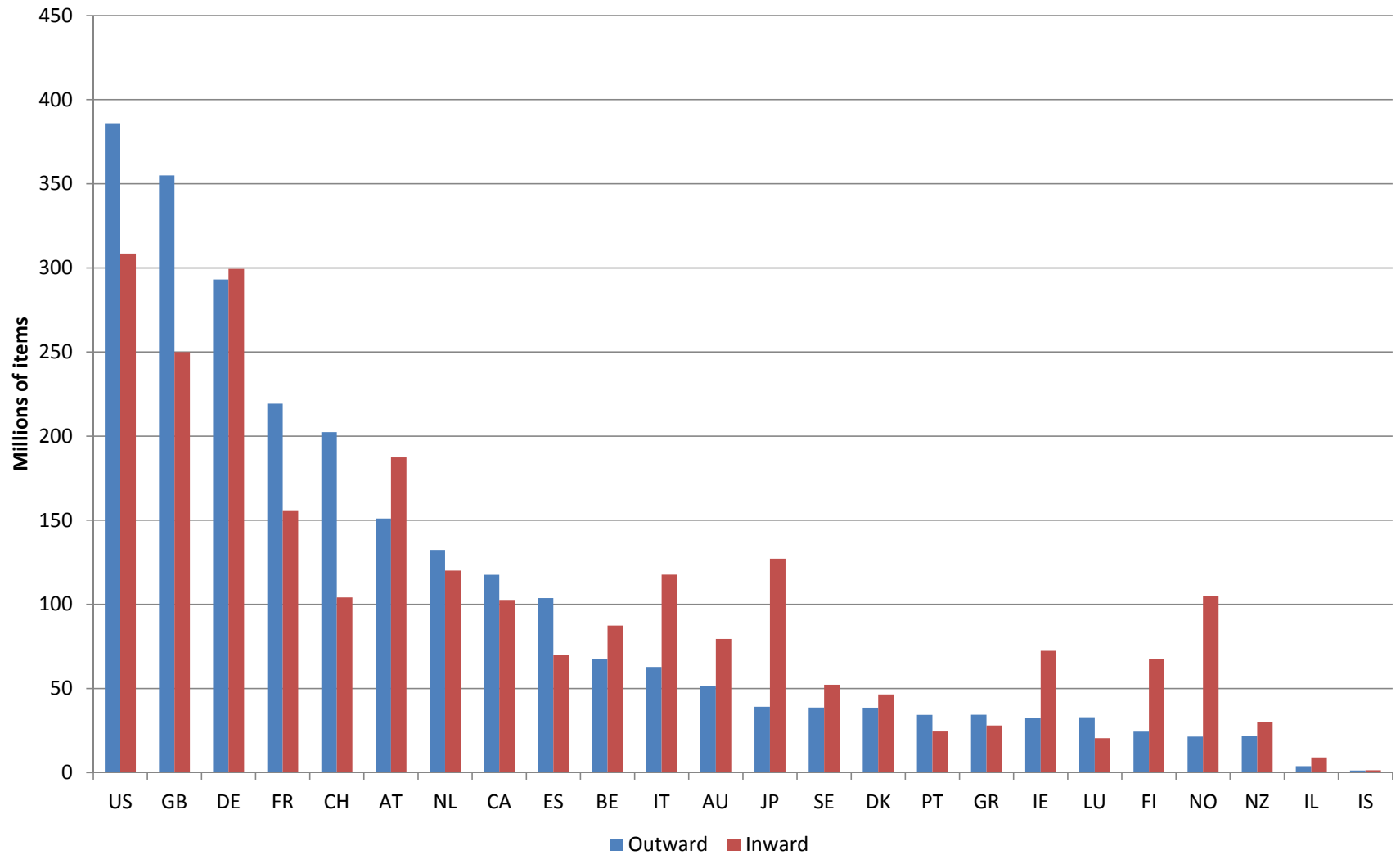


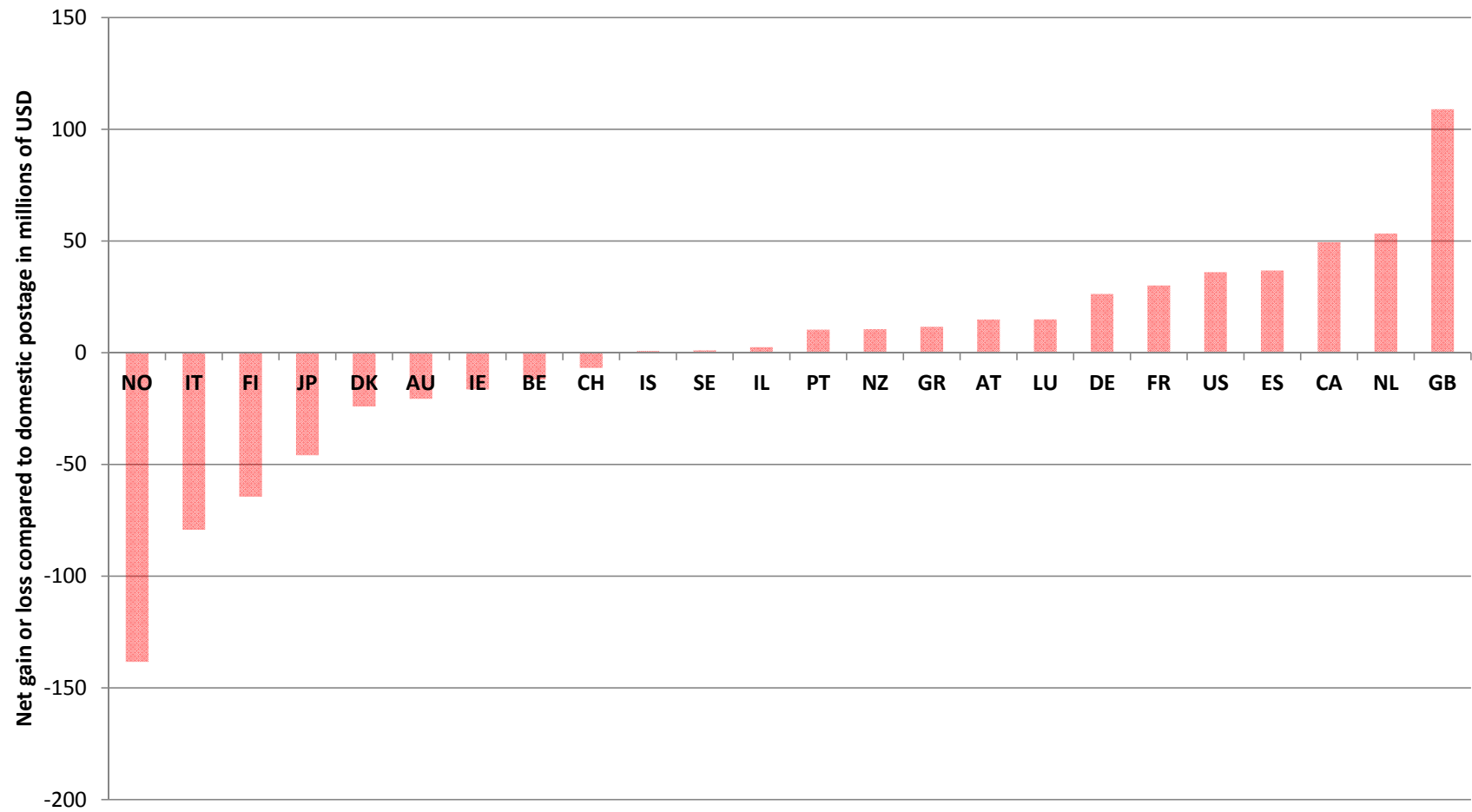
Table 8. Bilateral flow model: net gain or loss from TDs compared to domestic postage

Currency & date	USD	1.5430 = 1 SDR	Apr 2012									
Arrays	TDCalc!\$C\$2	TDCalc!\$C\$21:\$AR\$45		TDCalc!\$C\$6	TDCalc!\$C\$61:\$AR\$85		TDCalc!\$C\$11	TDCalc!\$C\$101:\$AR\$125		TDCalc!\$C\$11	TDCalc!\$C\$141:\$AR\$165	
Offset POCRev/NoCap	8	11	14	8	11	14	8	11	14	8	11	14
Offset DomPost	14	14		14	14		14	14		14	14	

Millions of items; negative net = inbound balance

			2014			2015			2016			2017		
No	Origin	ISO	POCRev	NoCap	x	x	POCRev	NoCap	x	x	POCRev	NoCap	x	x
19	Norway	NO	-138.4	-31.0			-155.7	-36.5			-175.4	-42.8		
14	Italy	IT	-79.2	-41.6			-89.8	-47.3			-101.8	-53.9		
6	Finland	FI	-64.4	-49.5			-74.7	-57.7			-86.4	-67.1		
15	Japan	JP	-45.9	16.6			-52.6	18.3			-60.0	20.1		
5	Denmark	DK	-24.1	24.5			-26.2	27.8			-28.5	31.5		
1	Australia	AU	-20.7	-26.3			-20.1	-31.1			-24.9	-36.5		
12	Ireland	IE	-16.4	-14.5			-19.8	-17.1			-23.6	-20.0		
3	Belgium	BE	-12.0	18.0			-13.1	20.7			-14.4	23.7		
23	Switzerland	CH	-6.8	-63.4			-11.1	-72.9			-15.7	-83.7		
11	Iceland	IS	0.8	0.1			1.0	0.1			1.1	0.2		
22	Sweden	SE	1.1	6.5			0.8	7.2			0.5	7.8		
13	Israel	IL	2.5	0.0			2.7	0.0			2.9	0.1		
20	Portugal	PT	10.3	8.0			11.4	9.3			12.7	10.7		
18	New Zealand	NZ	10.5	5.4			12.0	6.7			13.9	8.1		
10	Greece	GR	11.6	8.0			12.9	9.5			14.4	11.2		
2	Austria	AT	14.9	58.0			17.5	65.7			20.5	74.7		
16	Luxembourg	LU	14.9	6.0			16.9	7.1			19.2	8.4		
8	Germany	DE	26.3	-33.2			27.1	-35.1			28.3	-37.3		
7	France	FR	30.1	60.0			32.8	68.3			36.4	77.6		
24	United States	US	36.1	-43.4			51.6	-50.6			77.1	-59.3		
21	Spain	ES	36.8	19.4			45.7	22.5			56.7	25.8		
4	Canada	CA	49.4	36.5			57.4	42.7			60.4	50.1		
17	Netherlands	NL	53.4	43.5			60.0	50.4			67.8	58.5		
9	Great Britain	GB	109.0	-7.6			113.3	-7.9			118.9	-7.8		
			0.0	0.0			0.0	0.0			0.0	0.0		

**Chart 8a-1. Bilateral flow model: net gain or loss compared to domestic postage:
POCRev - 2014**



**Chart 8a-4. Bilateral flow model: net gain or loss compared to domestic postage:
POCRev - 2017**

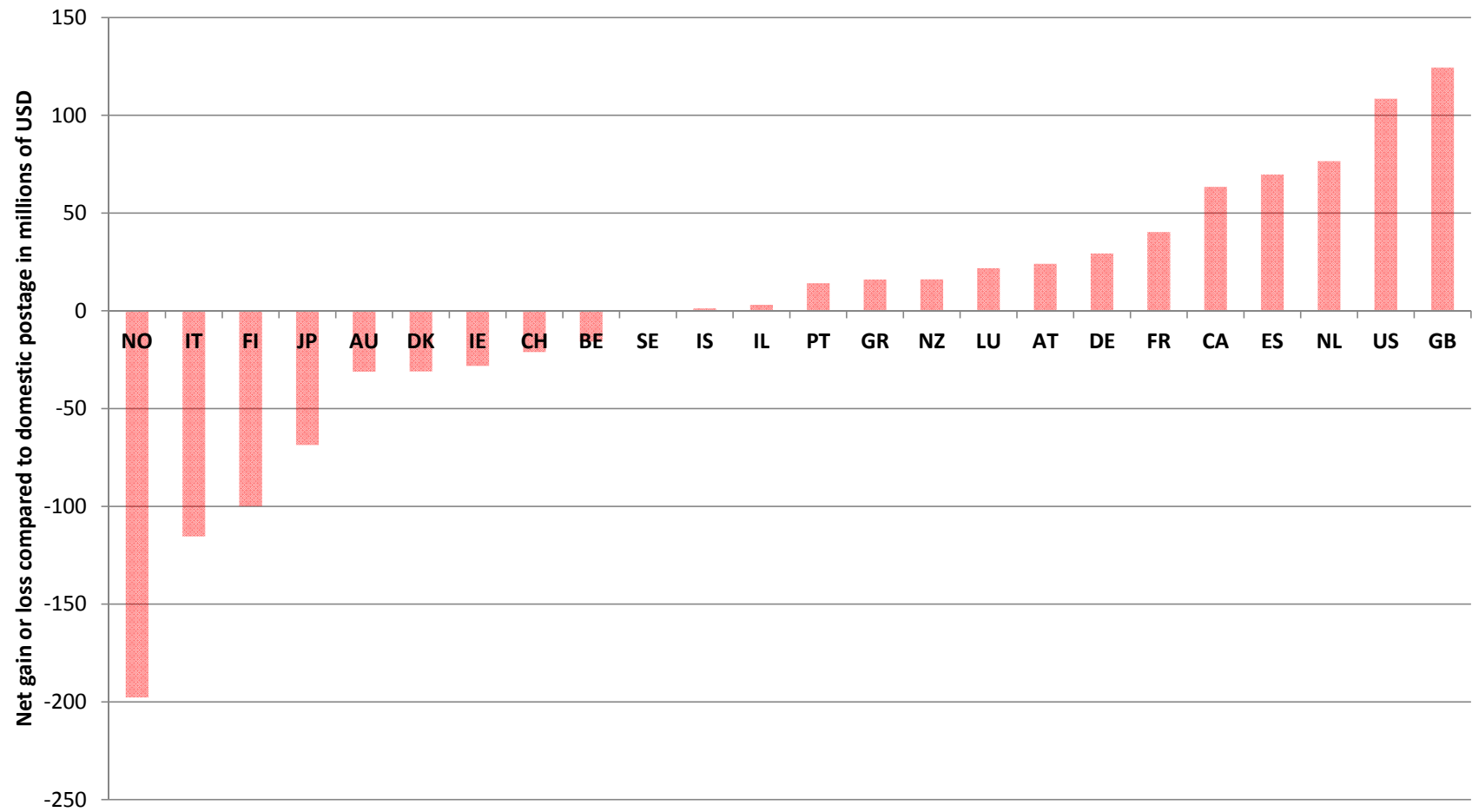


Table 9. Bilateral flow model: net gain or loss from TDs per outbound item

Currency & date	USD	1.5430 = 1 SDR	Apr 2012										
Arrays	TDCalc!\$C\$2	TDCalc!\$C\$21:\$AR\$45		TDCalc!\$C\$6	TDCalc!\$C\$61:\$AR\$85		TDCalc!\$C\$11	TDCalc!\$C\$101:\$AR\$125		TDCalc!\$C\$11	TDCalc!\$C\$141:\$AR\$165		
Offset POCRev/NoCap	8	11	14	8	11	14	8	11	14	8	11	14	
Offset DomPost, Out vol	14	14	10	14	14	11	14	14	12	14	14	13	

Millions of items; negative net = inbound balance

			2014			2015			2016			2017		
No	Origin	ISO	POCRev	NoCap	Outward volume to Grp 1.1	POCRev	NoCap	Outward volume to Grp 1.1	POCRev	NoCap	Outward volume to Grp 1.1	POCRev	NoCap	Outward volume to Grp 1.1
19	Norway	NO	-6.458	-1.444	21.4	-6.988	-1.636	22.3	-7.568	-1.848	23.2	-8.203	-2.084	24.1
6	Finland	FI	-2.647	-2.034	24.3	-2.950	-2.279	25.3	-3.282	-2.549	26.3	-3.649	-2.852	27.4
14	Italy	IT	-1.262	-0.662	62.8	-1.375	-0.725	65.3	-1.498	-0.793	67.9	-1.633	-0.867	70.6
15	Japan	JP	-1.174	0.425	39.1	-1.292	0.449	40.7	-1.419	0.476	42.3	-1.559	0.501	44.0
5	Denmark	DK	-0.624	0.636	38.6	-0.654	0.693	40.1	-0.684	0.755	41.7	-0.715	0.822	43.4
12	Ireland	IE	-0.505	-0.446	32.5	-0.585	-0.505	33.8	-0.672	-0.568	35.2	-0.770	-0.640	36.6
1	Australia	AU	-0.400	-0.510	51.6	-0.375	-0.579	53.7	-0.446	-0.654	55.8	-0.537	-0.737	58.0
3	Belgium	BE	-0.178	0.266	67.4	-0.187	0.295	70.1	-0.197	0.324	72.9	-0.208	0.358	75.9
23	Switzerland	CH	-0.034	-0.313	202.4	-0.053	-0.346	210.5	-0.072	-0.382	218.9	-0.093	-0.422	227.7
22	Sweden	SE	0.028	0.168	38.7	0.021	0.178	40.2	0.013	0.187	41.8	0.004	0.200	43.5
8	Germany	DE	0.090	-0.113	293.1	0.089	-0.115	304.8	0.089	-0.118	317.0	0.089	-0.119	329.7
24	United States	US	0.093	-0.113	386.0	0.128	-0.126	401.5	0.185	-0.142	417.5	0.250	-0.158	434.2
2	Austria	AT	0.099	0.384	151.1	0.111	0.418	157.1	0.126	0.457	163.4	0.142	0.498	169.9
7	France	FR	0.137	0.273	219.3	0.144	0.299	228.1	0.153	0.327	237.2	0.163	0.357	246.7
20	Portugal	PT	0.301	0.233	34.3	0.321	0.260	35.7	0.342	0.289	37.1	0.365	0.323	38.6
9	Great Britain	GB	0.307	-0.021	355.0	0.307	-0.021	369.2	0.310	-0.020	383.9	0.312	-0.020	399.3
10	Greece	GR	0.338	0.234	34.4	0.361	0.265	35.8	0.386	0.301	37.2	0.413	0.341	38.7
21	Spain	ES	0.355	0.187	103.7	0.424	0.208	107.9	0.505	0.230	112.2	0.597	0.254	116.7
17	Netherlands	NL	0.403	0.329	132.4	0.436	0.366	137.7	0.473	0.408	143.2	0.514	0.454	148.9
4	Canada	CA	0.420	0.310	117.6	0.469	0.349	122.3	0.475	0.394	127.2	0.479	0.441	132.3
16	Luxembourg	LU	0.453	0.181	32.9	0.493	0.207	34.2	0.538	0.236	35.6	0.588	0.269	37.0
18	New Zealand	NZ	0.479	0.248	21.9	0.528	0.293	22.8	0.585	0.342	23.7	0.653	0.399	24.7
13	Israel	IL	0.651	-0.007	3.9	0.671	0.004	4.0	0.693	0.020	4.2	0.715	0.038	4.3
11	Iceland	IS	0.654	0.092	1.3	0.736	0.112	1.3	0.796	0.136	1.4	0.861	0.163	1.4

**Chart 9a-1. Bilateral flow model: net gain or loss from TDs per outbound item:
POCRev - 2014**

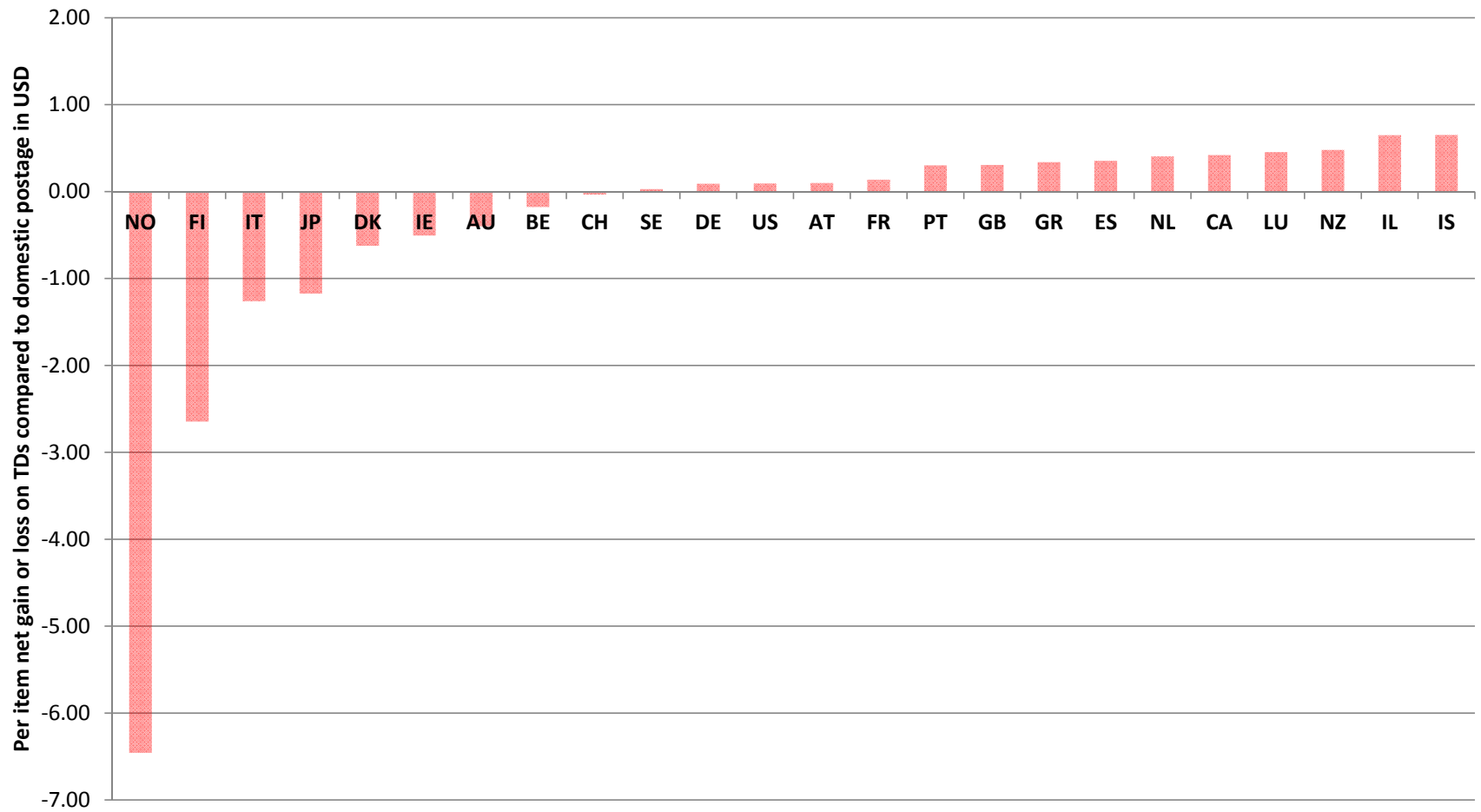


Table 10. Bilateral flow model: net gain or loss on TDs by partner country - US, 2014

Country of origin **US** United States
 Year **2014**
 Currency & date **USD** 1.5430 = 1 SDR **Apr 2012**

Offset	TDCalc_2014!\$C\$21:\$AE\$44	TDCalc_2014!\$C\$61:\$AE\$84	TDCalc_2014!\$C\$101:\$AE\$124
	8 11 14	8 11 14	8 11 14

Millions of items; negative net = inbound balance

No	Partner	ISO	POCRev			NoCap			DomPost			Net gain/oss v.DomPost	
			Outward TDs	Inward TDs	Net	Outward TDs	Inward TDs	Net	Outward TDs	Inward TDs	Net	POCRev	NoCap
4	Canada	CA	47.17	43.91	-3.26	62.11	63.10	0.99	54.55	81.20	26.65	-29.9	-25.7
9	Great Britain	GB	42.55	48.18	5.64	51.17	69.23	18.06	64.22	89.09	24.86	-19.2	-6.8
7	France	FR	14.87	18.10	3.24	29.08	26.01	-3.07	25.60	33.47	7.87	-4.6	-10.9
17	Netherlands	NL	11.03	7.41	-3.62	16.54	10.65	-5.90	14.05	13.70	-0.35	-3.3	-5.5
8	Germany	DE	21.31	19.01	-2.29	28.39	27.32	-1.07	34.26	35.16	0.89	-3.2	-2.0
10	Greece	GR	5.44	4.69	-0.75	7.90	6.74	-1.16	7.36	8.67	1.30	-2.1	-2.5
3	Belgium	BE	3.11	4.15	1.04	5.84	5.96	0.12	5.30	7.67	2.37	-1.3	-2.2
13	Israel	IL	1.62	0.69	-0.94	1.27	0.99	-0.28	1.41	1.27	-0.14	-0.8	-0.1
20	Portugal	PT	1.03	0.97	-0.05	1.73	1.40	-0.33	1.47	1.80	0.33	-0.4	-0.7
16	Luxembourg	LU	1.38	0.86	-0.52	1.86	1.24	-0.61	1.75	1.60	-0.15	-0.4	-0.5
11	Iceland	IS	0.48	0.08	-0.40	0.50	0.12	-0.39	0.51	0.15	-0.36	0.0	0.0
21	Spain	ES	5.60	3.56	-2.04	9.41	5.11	-4.30	8.65	6.57	-2.07	0.0	-2.2
18	New Zealand	NZ	1.74	0.00	-1.74	1.82	0.00	-1.82	1.79	0.00	-1.79	0.0	0.0
2	Austria	AT	7.91	2.94	-4.97	13.21	4.23	-8.98	11.84	5.44	-6.40	1.4	-2.6
22	Sweden	SE	5.87	1.44	-4.42	10.32	2.08	-8.24	10.79	2.67	-8.12	3.7	-0.1
1	Australia	AU	13.99	5.33	-8.66	16.44	7.66	-8.78	24.03	9.86	-14.17	5.5	5.4
5	Denmark	DK	5.60	2.81	-2.79	16.35	4.04	-12.32	13.79	5.20	-8.59	5.8	-3.7
23	Switzerland	CH	5.36	0.00	-5.36	7.89	0.00	-7.89	12.85	0.00	-12.85	7.5	5.0
14	Italy	IT	8.71	3.00	-5.71	14.91	4.32	-10.59	19.38	5.56	-13.82	8.1	3.2
6	Finland	FI	5.89	0.75	-5.14	8.96	1.07	-7.89	14.83	1.38	-13.45	8.3	5.6
12	Ireland	IE	18.86	1.36	-17.50	23.97	1.96	-22.01	30.42	2.52	-27.90	10.4	5.9
15	Japan	JP	47.03	9.44	-37.59	82.53	13.56	-68.97	78.04	17.45	-60.59	23.0	-8.4
19	Norway	NO	16.28	3.21	-13.08	39.62	4.61	-35.01	46.47	5.93	-40.54	27.5	5.5
24	United States	US											
Total			292.84	181.92	-110.93	451.84	261.38	-190.46	483.38	336.36	-147.02	36.09	-43.44
Discount off DomPost			39%	32%		7%	16%		0%	0%			

Chart 10-1-US. Bilateral flow model: US net gain or loss on TDs by partner country: POCRev - 2014

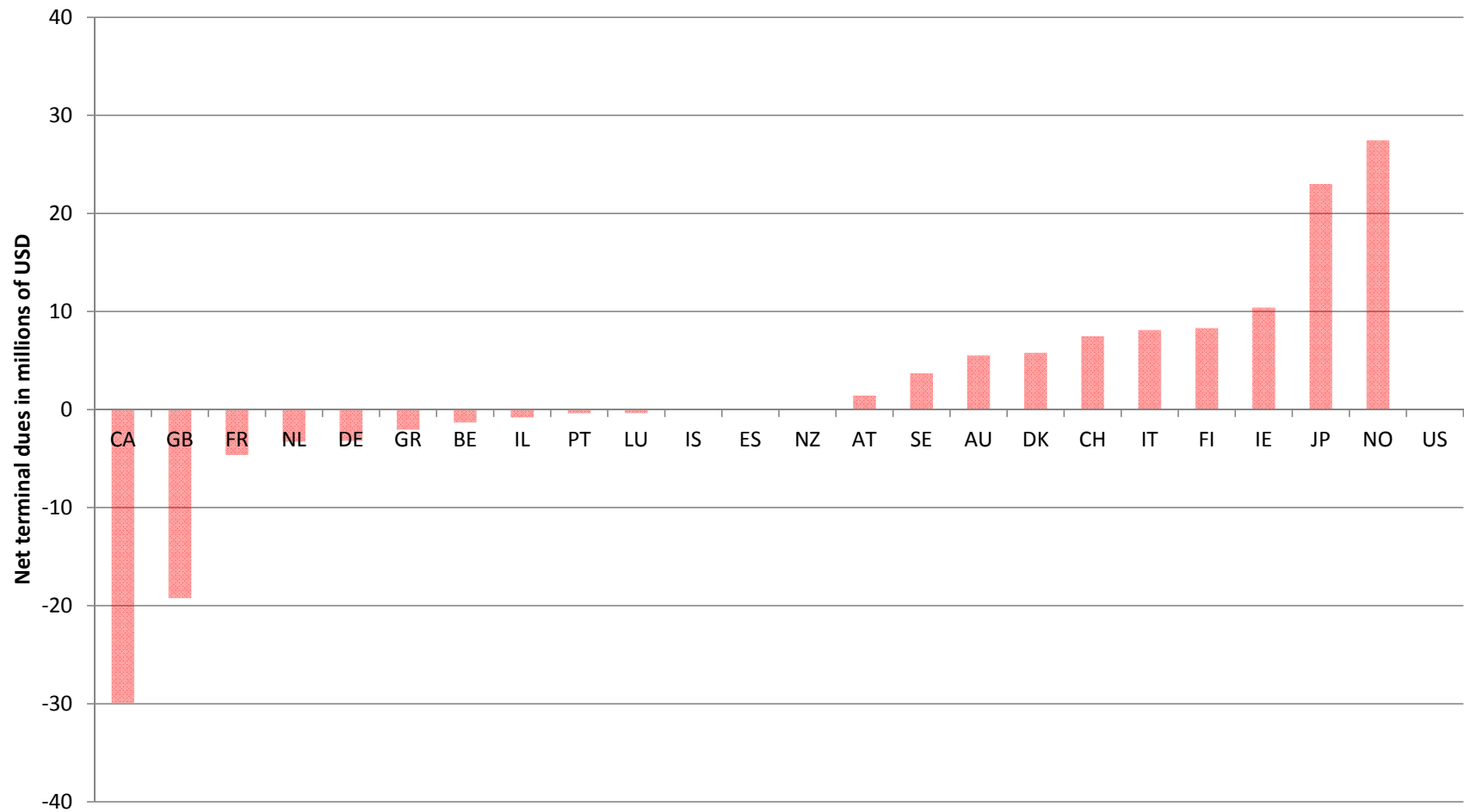


Table 10. Bilateral flow model: net gain or loss on TDs by partner country - US, 2017

Country of origin **US** United States
 Year **2017**
 Currency & date **USD** 1.5430 = 1 SDR **Apr 2012**

Offset	TDCalc_2017!\$C\$21:\$AE\$44	TDCalc_2017!\$C\$61:\$AE\$84	TDCalc_2017!\$C\$101:\$AE\$124
	8 11 14	8 11 14	8 11 14

Millions of items; negative net = inbound balance

No	Partner	ISO	POCRev			NoCap			DomPost			Net gain/oss v.DomPost	
			Outward TDs	Inward TDs	Net	Outward TDs	Inward TDs	Net	Outward TDs	Inward TDs	Net	POCRev	NoCap
4	Canada	CA	65.13	75.05	9.93	82.88	84.23	1.35	72.38	114.95	42.56	-32.6	-41.2
9	Great Britain	GB	55.17	82.34	27.18	68.28	92.41	24.13	89.78	126.11	36.34	-9.2	-12.2
17	Netherlands	NL	14.30	12.66	-1.64	22.11	14.21	-7.90	18.58	19.39	0.82	-2.5	-8.7
10	Greece	GR	7.05	8.01	0.96	10.55	8.99	-1.56	9.74	12.27	2.53	-1.6	-4.1
7	France	FR	19.28	30.94	11.66	38.83	34.72	-4.11	34.56	47.39	12.82	-1.2	-16.9
21	Spain	ES	9.57	6.08	-3.49	12.57	6.82	-5.75	11.79	9.31	-2.48	-1.0	-3.3
13	Israel	IL	2.10	1.18	-0.92	1.70	1.32	-0.38	1.88	1.80	-0.08	-0.8	-0.3
3	Belgium	BE	4.03	7.09	3.06	7.80	7.96	0.16	7.09	10.86	3.77	-0.7	-3.6
16	Luxembourg	LU	1.79	1.48	-0.32	2.48	1.66	-0.82	2.31	2.26	-0.05	-0.3	-0.8
20	Portugal	PT	1.33	1.66	0.33	2.31	1.87	-0.44	1.95	2.55	0.60	-0.3	-1.0
11	Iceland	IS	0.67	0.14	-0.53	0.67	0.16	-0.52	0.68	0.21	-0.47	-0.1	-0.1
18	New Zealand	NZ	2.34	0.00	-2.34	2.43	0.00	-2.43	2.33	0.00	-2.33	0.0	-0.1
8	Germany	DE	27.63	32.50	4.87	37.90	36.47	-1.43	46.68	49.77	3.09	1.8	-4.5
2	Austria	AT	10.26	5.03	-5.23	17.65	5.64	-12.00	15.84	7.70	-8.14	2.9	-3.9
22	Sweden	SE	7.61	2.47	-5.14	13.78	2.77	-11.01	14.87	3.78	-11.09	6.0	0.1
5	Denmark	DK	7.26	4.80	-2.46	21.84	5.39	-16.45	18.38	7.36	-11.02	8.6	-5.4
1	Australia	AU	20.06	9.11	-10.95	21.95	10.22	-11.72	34.37	13.95	-20.42	9.5	8.7
23	Switzerland	CH	6.96	0.00	-6.96	10.54	0.00	-10.54	18.33	0.00	-18.33	11.4	7.8
14	Italy	IT	11.30	5.14	-6.16	19.90	5.76	-14.14	26.69	7.86	-18.83	12.7	4.7
6	Finland	FI	7.63	1.28	-6.35	11.97	1.43	-10.53	21.29	1.96	-19.33	13.0	8.8
12	Ireland	IE	24.46	2.33	-22.13	32.02	2.62	-29.40	42.57	3.57	-39.00	16.9	9.6
15	Japan	JP	60.97	16.13	-44.85	110.25	18.10	-92.15	105.52	24.70	-80.82	36.0	-11.3
19	Norway	NO	21.12	5.49	-15.63	52.91	6.16	-46.76	64.12	8.40	-55.72	40.1	9.0
24	United States	US											
Total			388.00	310.90	-77.10	603.31	348.91	-254.40	661.73	476.16	-185.58	108.48	-68.82
Discount off DomPost			41%	25%		9%	19%		0%	0%			

Chart 10-4-US. Bilateral flow model: US net gain or loss on TDs by partner country: POCRev - 2017

